SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

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	73-1309529
(State or other jurisdiction of incorporation or organization)	(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)

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 May 3, 2002 was 618,062,193 (excluding treasury shares of 12,267,390).

PART I

ITEM 1. FINANCIAL STATEMENTS.

WASTE MANAGEMENT, INC.

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

	MARCH 31, 2002 (UNAUDITED)	DECEMBER 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 306	$ 730
Accounts receivable, net of allowance for doubtful accounts of $70 and $73, respectively	1,300	1,355
Notes and other receivables	245	314
Parts and supplies	79	83
Deferred income taxes	425	426
Prepaid expenses and other	209	216
Total current assets	2,564	3,124
Property and equipment, net	10,298	10,357
Goodwill	5,009	4,998
Other intangible assets, net	116	123
Other assets	820	888
Total assets	$18,807	$19,490
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 513	$ 672
Accrued liabilities	2,122	2,160
Deferred revenues	383	374
Current portion of long-term debt	82	515
Total current liabilities	3,100	3,721
Long-term debt, less current portion	7,754	7,709
Deferred income taxes	1,187	1,127
Environmental liabilities	827	825
Other liabilities	681	703
Total liabilities	13,549	14,085
Minority interest in subsidiaries	13	13
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value; 1,500,000,000 shares authorized; 630,329,583 and 630,331,591 shares issued, respectively	6	6
Additional paid-in capital	4,526	4,523
Retained earnings	1,195	1,057
Accumulated other comprehensive loss	(150)	(148)
Restricted stock unearned compensation	(2)	(2)
Treasury stock at cost, 12,479,784 and 2,313,883 shares, respectively	(330)	(44)
Total stockholders' equity	5,245	5,392
Total liabilities and stockholders' equity	$18,807	$19,490

See notes to consolidated financial statements.

WASTE MANAGEMENT, INC.

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

THREE MONTHS ENDED MARCH 31,	2002	2001
Operating revenues	$2,609	$2,719
Costs and expenses:		
Operating (exclusive of depreciation and amortization shown below)	1,565	1,646
Selling, general and administrative	387	389
Depreciation and amortization	294	335
Restructuring	37	--
Asset impairments and unusual items	(6)	5
	2,277	2,375
Income from operations	332	344
Other income (expense):		
Interest expense	(116)	(154)
Interest income	4	17
Minority interest	(1)	(1)
Other income, net	2	6
	(111)	(132)
Income before income taxes	221	212
Provision for income taxes	84	89
Income before extraordinary item and cumulative effect of changes in accounting principle	137	123
Extraordinary loss on early retirement of debt, net of income tax benefit of $1 in 2002 and 2001	(1)	(1)
Cumulative effect of changes in accounting principle, net of income tax expense of $0 in 2002 and $2 in 2001	2	2
Net income	$ 138	$ 124
Basic earnings per common share:		
Income before extraordinary item and cumulative effect of changes in accounting principle	$ 0.22	$ 0.20
Extraordinary item	--	--
Cumulative effect of changes in accounting principle	--	--
Net income	$ 0.22	$ 0.20
Diluted earnings per common share:		
Income before extraordinary item and cumulative effect of changes in accounting principle	$ 0.22	$ 0.20
Extraordinary item	--	--
Cumulative effect of changes in accounting principle	--	--
Net income	$ 0.22	$ 0.20

See notes to consolidated financial statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN MILLIONS)
(UNAUDITED)

THREE MONTHS ENDED MARCH 31,	2002	2001
Cash flows from operating activities:		
Net income	$ 138	$ 124
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	9	10
Depreciation and amortization	294	335
Deferred income tax provision	34	56
Minority interest in subsidiaries	1	1
Net gain on disposal of assets	(1)	(9)
Effect of asset impairments and unusual items	(6)	5
Change in assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	130	108
Prepaid expenses and other current assets	(33)	(12)
Other assets	(17)	(10)
Accounts payable and accrued liabilities	(146)	(191)
Deferred revenues and other liabilities	33	(17)
Net cash provided by operating activities	436	400
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(48)	(22)
Capital expenditures	(180)	(144)
Proceeds from divestitures of businesses, net of cash divested, and other sales of assets	37	6
Other	60	56
Net cash used in investing activities	(131)	(104)
Cash flows from financing activities:		
New borrowings	--	953
Debt repayments	(439)	(474)
Common stock repurchases	(300)	--
Exercise of common stock options and warrants	10	18
Net cash provided by (used in) financing activities	(729)	497
Increase (decrease) in cash and cash equivalents	(424)	793
Cash and cash equivalents at beginning of period	730	94
Cash and cash equivalents at end of period	$ 306	$ 887

See notes to consolidated financial statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN MILLIONS, EXCEPT SHARES IN THOUSANDS)
(UNAUDITED)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	RESTRICTED STOCK UNEARNED COMPENSATION	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT
Balance, December 31, 2001....	630,332	$ 6	$4,523	$1,057	$(148)	$(2)	2,314	$ (44)
Net income..................	--	--	--	138	--	--	--	--
Common stock issued upon exercise of stock options and warrants, including tax benefit of $2.........	--	--	2	--	--	--	(535)	10
Common stock repurchases....	--	--	--	--	--	--	10,925	(300)
Unrealized loss on marketable securities, net of tax benefit of $2......	--	--	--	--	(3)	--	--	--
Cumulative translation adjustment of foreign currency statements.......	--	--	--	--	1	--	--	--
Other......................	(2)	--	1	--	--	--	(224)	4
Balance, March 31, 2002.......	630,330	$ 6	$4,526	$1,195	$(150)	$(2)	12,480	$(330)

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS EXCEPT PER SHARE DATA)
(UNAUDITED)

The consolidated financial statements of Waste Management, Inc., a Delaware corporation, and subsidiaries ("Waste Management" or the "Company") presented herein are unaudited. In the opinion of management, these financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. These estimates and assumptions will also affect the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ materially from the estimates and assumptions that the Company uses in the preparation of its financial statements. As it relates to estimates and assumptions in landfill airspace amortization and final closure and post-closure rates per ton and environmental remediation liabilities, significant engineering and accounting input is required. The Company reviews these estimates and assumptions no less than annually. In many circumstances, the ultimate outcome of these estimates and assumptions may not be known for decades into the future. Actual results could differ materially from these estimates and assumptions due to changes in environmental-related regulations, changes in future operational plans, and inherent imprecision associated with estimating environmental matters so far into the future. See "Management's Discussion and Analysis" elsewhere herein.

Certain reclassifications have been made in the prior period financial statements in order to conform to the current period presentation.

1. LONG-TERM DEBT

Long-term debt consisted of the following:

	MARCH 31, 2002	DECEMBER 31, 2001
Senior notes and debentures, interest of 6.375% to 8.75% through 2029	$6,151	$6,169
4% Convertible subordinated notes due 2002	--	427
5.75% Convertible subordinated notes due 2005 (2% interest rate and 3.75% issuance discount)	31	31
Tax-exempt and project bonds, principal payable in periodic installments, maturing through 2031, fixed and variable interest rates ranging from 1.45% to 10.0% (weighted average interest rate of 4.89%) at March 31, 2002	1,443	1,404
Installment loans, notes payable and other, interest from 5% to 14.25% (average interest rate of 8.4%), maturing through 2019	211	193
	7,836	8,224
Less current portion	82	515
	$7,754	$7,709

The Company has a $750 syndicated line of credit (the "Line of Credit") and a $1,750 syndicated revolving credit facility (the "Revolver"). The Line of Credit requires annual renewal by the lender, and if not renewed, the Company has the option of converting the balance outstanding, if any, as of June 28, 2002 into a one-year term loan. The Revolver matures in June 2006. The Line of Credit and the Revolver are available for borrowing, including letters of credit, and for supporting the issuance of commercial paper. The covenant restrictions for the Line of Credit and the Revolver include, among others, interest coverage, debt to earnings ratio, minimum net worth, and limitations on investments, additional indebtedness and liens.

At March 31, 2002, the Company had no borrowings outstanding under the Line of Credit or the Revolver. The facility fees were 0.175% and 0.225% per annum under the Line of Credit and Revolver, respectively, at March 31, 2002. The Company had issued letters of credit of approximately $1,512 under the Revolver, leaving unused and available aggregate credit capacity of approximately $988 at March 31, 2002.

During the first quarter of 2002, the Company refinanced approximately $49 of fixed-rate tax exempt bonds maturing in 2011 with variable-rate tax exempt bonds maturing in 2022. As a result, the Company incurred prepayment penalties and other fees for a total extraordinary item charge, net of tax benefit, of approximately $1. Also in the first quarter of 2002, the Company repaid $427 to holders of its 4% convertible subordinated notes due February 2002 to retire the issuance.

The Company has $300 of 6.625% senior notes due July 15, 2002, $285.7 of 7.7% senior notes due October 1, 2002 and $350 of 6.5% senior notes due December 15, 2002. The Company has classified these borrowings as long-term at March 31, 2002 and December 31, 2001 based upon its ability to use its Line of Credit and/or Revolver, which are both long-term facilities, to refinance these borrowings. The Company intends to pursue other sources of long-term financing to refinance these borrowings; however, in the event other sources of long-term financing are not available, the Company has the intent and ability to use its Line of Credit and/or Revolver.

The Company manages its debt portfolio by using interest rate derivatives to achieve a desired position of fixed and floating rate debt. At March 31, 2002 and December 31, 2001, the Company had interest rate swap contracts with a notional amount of approximately $1,770. The significant terms of the interest rate contracts and the underlying debt instrument are identical. Accordingly, changes in fair value of these interest rate contracts are deferred and recognized as an adjustment to interest expense over the life of the interest rate contract. At March 31, 2002 and December 31, 2001, the net negative fair value of these derivatives was approximately $16 and $2, respectively. In addition, approximately $41 and $60 is included in the senior notes and debentures classification as of March 31, 2002 and December 31, 2001, respectively, which primarily consists of the remaining unamortized accumulated adjustment of interest rate swaps terminated in 2001. Approximately $2 is included in the tax-exempt and project bonds at both March 31, 2002 and December 31, 2001, respectively, for swaps which were terminated in 2001. For the quarters ended March 31, 2002 and 2001, interest rate swap contracts reduced interest expense by $20 and $1, respectively.

2. INCOME TAXES

The difference in federal income taxes computed at the federal statutory rate and reported income taxes for the three months ended March 31, 2002 is primarily due to state and local income taxes. For the three months ended March 31, 2001, the difference is primarily due to state and local income taxes, non-deductible costs related to acquired intangibles and non-deductible costs associated with the impairment and divestiture of certain businesses.

3. 2002 RESTRUCTURING

On March 4, 2002, the Company adopted a new organizational structure that better aligns collection, transport, recycling and disposal resources within market areas. The Company believes the new structure will yield a number of benefits, among them clearer accountability and responsibility for business performance and profitability in specific markets; simplification of structure; cost savings through consolidation of duplicate administrative and other support functions; improved utilization of operating assets; and better customer responsiveness.

The new organizational structure does not affect the Company's Wheelabrator Technologies Inc. ("WTI") or Canadian Waste Services ("CWS") operations. The Company's remaining operations were restructured to reduce the number of field layers of management from four to three and the number of field layers that have administrative and functional staff from four to two. The new structure refocuses the Company's approximately 1,200 sites into 85 newly established Market Areas. The sites include waste collection depots, transfer stations, landfills and recycling facilities. These Market Areas are responsible for the sales and marketing of the Company's services and for directing the delivery of service by operating units. The Market Area is also the profit center, and the districts, all of which used to be profit centers, became cost centers. Each large Market Area is headed by a Vice President and the others are headed by a General Manager. The Market Areas consolidate financial reporting and provide a range of assistance in the areas of finance and accounting, procurement, people, market planning and development, fleet services, recycling, legal services, engineering, regulatory compliance, safety and public affairs. They all report to one of four Groups that divide the United States geographically, and which were formerly known as the Company's "Areas." WTI and CWS, the fifth and sixth Areas under the previous structure, continue as the fifth and sixth Groups under the new structure.

In March 2002, the Company recorded a $37 pre-tax charge for costs associated with the implementation of the new structure, including $34 for employee severance and benefit costs and $3 related to abandoned operating lease agreements. Approximately 1,800 field-level administrative and operational positions were eliminated by this reorganization. The former employees will receive scheduled severance payments during 2002 and, in some cases, into 2003. During March 2002, the Company made payments of $3 for employee severance and benefits and for abandoned leases.

The Company expects to incur an additional $8 of restructuring expenses throughout the remainder of 2002 related to the relocation of employees and the consolidation of facilities to support the new organizational structure. This $8 in additional costs will be recognized as restructuring expenses when incurred.

4. EARNINGS PER SHARE

The following reconciles the number of common shares outstanding at March 31 of each year to the weighted average number of common shares outstanding and the weighted average number of common and dilutive potential common shares outstanding for the purposes of calculating basic and diluted earnings per common share (shares in millions):

THREE MONTHS ENDED MARCH 31,	2002	2001
Number of common shares outstanding at end of period........	617.8	624.4
Effect of using weighted average common shares outstanding...	8.1	(0.5)
Basic common shares outstanding............................	625.9	623.9
Dilutive effect of common stock options and warrants......	4.4	4.1
Diluted common shares outstanding...........................	630.3	628.0

For the three months ended March 31, 2002 and 2001, the effect of the Company's convertible subordinated notes was excluded from the diluted earnings per share calculation because the effect would be antidilutive.

At March 31, 2002, there were approximately 40 million shares of common stock potentially issuable with respect to stock options, warrants and convertible debt that could dilute basic earnings per share in the future.

5. COMMON STOCK REPURCHASE PROGRAM

In February 2002 the Company announced that its Board of Directors had approved a stock buy back program. Under the program, the Company will buy back up to one billion dollars of its common stock each year for the foreseeable future. The purchases will be made in open market purchases or privately negotiated transactions primarily using cash flows from operations.

In March 2002, the Company entered into an accelerated stock repurchase master agreement to facilitate the repurchase of its shares of common stock. Pursuant to the agreement, the Company may from time to time enter into transactions to purchase shares of its common stock from the counterparty for a notional amount equal to the fair market value of the shares on the date that it elects to purchase. Six months from the date of purchase, the parties enter into a settlement pursuant to which, if the weighted average daily market prices for the stock during such six month period (other than certain days during which the Company is entitled to purchase in the market) times the number of shares initially purchased is greater than the notional amount, the Company will pay the counterparty the difference. If the average daily market price for the valuation period times the number of shares initially purchased is less than the notional amount, the counterparty will pay the Company the difference. The Company has the option of paying its settlement amount, if any, in shares of its common stock or with cash.

The Company entered into its first transaction to purchase stock under the agreement in March, purchasing approximately 10.9 million shares at $27.46 per share for a total of approximately $300. The Company accounted for the initial payment as a purchase of treasury stock and has classified the future settlement with the counterparty as an equity instrument. Under the agreement, the number of shares to be issued by the Company, if the Company was required to pay the counterparty and elected to net settle in shares, is capped at ten million shares. The settlement will not occur until September 2002, and therefore, the Company is unable at this time to predict the number of shares, if any, it would have to issue out of its treasury were it to elect that payment option.

Based on the Company's stock price at the end of the first quarter of 2002, the Company would receive approximately $8 in cash from the counterparty to settle the contracts. However, for every one dollar of change in the average price of the Company's common stock during the valuation period, the settlement amount would change by $10.9.

6. COMPREHENSIVE INCOME

Comprehensive income is as follows:

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
Net income	$138	$124
Other comprehensive income:		
Changes in minimum pension liability adjustment, net of taxes	--	3
Unrealized gain on derivative instruments	--	10
Unrealized gain (loss) on marketable securities, net of taxes	(3)	4
Foreign currency translation adjustment	1	(46)
Other comprehensive loss	(2)	(29)
Comprehensive income	$136	$ 95

The components of accumulated other comprehensive loss were as follows:

	MARCH 31, 2002	DECEMBER 31, 2001
Minimum pension liability adjustment, net of taxes	$ (1)	$ (1)
Accumulated unrealized gain on derivative instrument, net of taxes	1	1
Accumulated unrealized gain on marketable securities, net of taxes	3	6
Cumulative foreign currency translation adjustment	(153)	(154)
	$(150)	$(148)

7. ENVIRONMENTAL LIABILITIES

The Company has material financial commitments for final closure and post-closure obligations with respect to the landfills it owns or operates. Estimates of final closure and post-closure costs are developed using input from the Company's engineers and accountants and are reviewed by management, typically at least once per year. Adjustments for final closure and post-closure estimates are accounted for prospectively over the remaining capacity of the landfill. The estimates are based on the Company's interpretation of current requirements and proposed regulatory changes. For landfills, the present value of final closure and post-closure liabilities is accrued using a calculated rate per ton and charged to expense as airspace is consumed. Each year the Company revises its calculated rate per ton to reflect accretion on the present value of the liability. The revised rate per ton is calculated by dividing the revised present value of the liability, less the accumulated liability recognized to date, by the estimated remaining capacity of the landfill. The present value of total estimated final closure and post-closure costs will be fully accrued for each landfill at the time the site discontinues accepting waste and is closed. Final closure and post-closure accruals consider estimates for the final cap and cover for the site, methane gas control, leachate management and groundwater monitoring, and other operational and maintenance costs to be incurred after the site discontinues accepting waste, which is generally expected to be for a period of up to thirty years after final site closure. For purchased disposal sites, the Company assesses and records a present value-based final closure and post-closure liability at the time the Company assumes closure responsibility. This liability is based on the estimated final closure and post-closure costs and the percentage of airspace used as of the date the Company has assumed the closure responsibility. Thereafter, the difference between the final closure and post-closure liability recorded at the time of acquisition and the present value of total estimated final closure and post-closure costs to be incurred is accrued using the calculated rate and charged to operating costs as airspace is consumed.

In the United States, the final closure and post-closure requirements are established by the EPA's Subtitles C and D regulation, as implemented and applied on a state-by-state basis. The costs to comply with these requirements could increase in the future as a result of legislation or regulation.

The Company routinely reviews and evaluates sites that require remediation, including sites listed on the EPA's National Priorities List ("NPL sites"). The Company considers whether the Company was an owner, operator, transporter, or generator at the site, the amount and type of waste hauled to the site, the number of years the Company was connected with the site, as well as reviews the same information with respect to other named and unnamed potentially responsible parties ("PRPs"). The Company then reviews the estimated cost for the likely remedy, which is based on management's judgment and experience in remediating such sites for the Company as well as for unrelated parties, information available from regulatory agencies as to costs of remediation, and the number, financial resources and relative degree of responsibility of other PRPs who may be liable for remediation of a specific site, as well as the typical allocation of costs among PRPs. These estimates are sometimes a range of possible outcomes. In those cases, the Company provides for the amount within the range which constitutes its best estimate. If no amount within the range appears to be a better estimate than any other amount, the Company provides for the minimum amount within the range in accordance with SFAS No. 5, Accounting for Contingencies, and its interpretations. The Company believes that it is "reasonably possible," which means that it is more than remote but less than likely, that its potential liability at the high end of such ranges would be approximately $256 higher on a discounted basis in the aggregate than the estimate that has been recorded in the consolidated financial statements as of March 31, 2002.

As of March 31, 2002, the Company or its subsidiaries had been notified that they are potentially responsible parties in connection with 79 locations listed on the NPL. Of the 79 NPL sites at which claims have been made against the Company, 17 are sites that the Company has come to own over time. All of the NPL sites owned by the Company were initially developed by others as land disposal facilities. At each of the 17 owned facilities, the Company is working in conjunction with the government to characterize or remediate identified site problems. In addition, at these 17 owned facilities, the Company has either agreed with other legally liable parties on an arrangement for sharing the costs of remediation or is pursuing resolution of an allocation formula. The 62 NPL sites at which claims have been made against the Company and that are not owned by the Company are at different procedural stages under Superfund. At some of these sites, the Company's liability is well defined as a consequence of a governmental decision as to the appropriate remedy and an agreement among liable parties as to the share each will pay for implementing that remedy. At others where no remedy has been selected or the liable parties have been unable to agree on an appropriate allocation, the Company's future costs are uncertain. Any of these matters could have a material adverse effect on the Company's financial statements.

Estimates of the Company's degree of responsibility for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions and are inherently difficult, and the ultimate outcome may differ materially from current estimates. However, the Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. As additional information becomes available, estimates are adjusted as necessary. It is possible that technological, regulatory or enforcement developments, the results of environmental studies, the non-existence or inability of other PRPs to contribute to the settlements of such liabilities, or other factors could necessitate the recording of additional liabilities that could be material.

The Company reviews its remediation liabilities as part of its ongoing operations. Accordingly, revisions to remediation liabilities may result in upward or downward adjustments to income from operations, which may be material, in any given period.

Where the Company believes that both the amount of a particular environmental liability and the timing of the payments are reliably determinable, the cost in current dollars is inflated (at 2% at both March 31, 2002 and December 31, 2001) until expected time of payment and then discounted to present value (at 5.5% at both March 31, 2002 and December 31, 2001). The accretion of the interest related to the discounted environmental liabilities for operating landfills is included in the annual calculation of the landfill's final closure and post-closure cost per ton and is charged to operating costs as landfill airspace is consumed.

Liabilities for final closure, post-closure and environmental remediation costs consisted of the following:

	MARCH 31, 2002			DECEMBER 31, 2001		
	FINAL CLOSURE/ POST-CLOSURE	REMEDIATION	TOTAL	FINAL CLOSURE/ POST-CLOSURE	REMEDIATION	TOTAL
Current (in accrued liabilities)........	$ 56	$ 55	$111	$ 55	$ 66	$121
Long-term............	583	244	827	570	255	825
	$639	$299	$938	$625	$321	$946

The changes to environmental liabilities are as follows:

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
Beginning balance..	$946	$962
Expense...	14	19
Spending..	(12)	(21)
Acquisitions, divestitures and other adjustments............	(10)	5
Ending balance...	$938	$965

8. COMMITMENTS AND CONTINGENCIES

Financial instruments -- The Company has provided letters of credit, performance bonds, trust agreements, financial guarantees and insurance policies to support tax-exempt bonds, contracts, performance of landfill final closure and post-closure requirements, and other obligations. The Company also uses captive insurance, or insurance policies issued by a wholly-owned insurance company subsidiary, the sole business of which is to issue such policies to the Company, in order to secure such obligations. In those instances where the use of captive insurance is not acceptable, the Company generally has available alternative bonding mechanisms. Because virtually no claims have been made against these financial instruments in the past, management does not expect that these instruments will have a material adverse effect on the Company's consolidated financial statements. The Company has not experienced difficulty in obtaining performance bonds or letters of credit for its current operations. However, the tragic events of September 11, 2001 have had an impact on the financial status of a number of insurance, surety and reinsurance providers, which could cause an increase in the cost and a decrease in the availability of surety and insurance coverages available to the Company in the future.

For the 14 months ended January 1, 2000, the Company insured certain risks, including auto, general and workers' compensation, with Reliance National Insurance Company ("Reliance"). On June 11, 2001, the ultimate parent of Reliance, Reliance Group Holdings, Inc., filed for bankruptcy under Chapter 11 of the Bankruptcy Code of 1978, as amended (the "Bankruptcy Code"). On October 3, 2001, Reliance was placed in liquidation by a Pennsylvania Court. The Company has determined that it will have coverage through various state insurance guarantee funds in some, but not all, of the jurisdictions where it is subject to claims that would have been covered by the Reliance insurance program. While it is not possible to predict the outcome of proceedings involving Reliance, the Company believes that because of the various insurance guarantee funds and potential recoveries from the liquidation, it is unlikely that events relating to Reliance will have a material adverse impact on the Company's financial statements.

Environmental matters -- The Company's business is intrinsically connected with the protection of the environment. As such, a significant portion of the Company's operating costs and capital expenditures could be characterized as costs of environmental protection. Such costs may increase in the future as a result of legislation or regulation, however, the Company believes that, in general, it tends to benefit when environmental regulation increases, which may increase the demand for its services, and that it has the resources and experience to manage environmental risk.

For more information regarding commitments and contingencies with respect to environmental matters, see Note 7.

Litigation -- A group of companies that sold assets in exchange for common stock in March 1996 to Waste Management Holdings, Inc. ("WM Holdings"), which was acquired by the Company in July 1998 (the "WM Holdings Merger"), brought an action against the Company in March 2000 for breach of contract and fraud, among other things. The parties have agreed to resolve this dispute through arbitration. The extent of damages in the dispute has not yet been determined.

In December 1999, an individual brought an action against the Company, five former officers of WM Holdings, and WM Holdings' former auditor in Illinois state court on behalf of a proposed class of individuals who purchased WM Holdings common stock before November 3, 1994, and who held that stock through February 24, 1998, for alleged acts of common law fraud, negligence, and breach of fiduciary duty. In May 2001, the court granted in part and denied in part the defendants' motion to dismiss. This action remains in its early stages and the extent of possible damages, if any, has not yet been determined.

On July 6 and July 29, 1999, the Company announced that it had lowered its expected earnings per share for the three months ended June 30, 1999. On August 3, 1999, the Company provided additional information regarding its expected earnings for that period, including that its reported operating income for the three months ended March 31, 1999 might have included certain unusual pre-tax income items. More than 30 lawsuits based on one or more of these announcements were filed against the Company and certain of its current and former officers and directors. These lawsuits were consolidated into a single action pending in the United States District Court for the Southern District of Texas (the "Southern District of Texas Court"). On May 8, 2000, the court entered an order appointing the Connecticut Retirement Plan and Trust Funds as lead plaintiff and appointing the law firm of Goodkind Labaton Rudoff & Suchrow LLP as lead plaintiff's counsel.

The lead plaintiff filed its Amended Consolidated Class Action Complaint (the "Complaint") on July 14, 2000. The Complaint pleads claims on behalf of a putative class consisting of all purchasers and acquirers of Company securities (including common stock, debentures and call options), and all sellers of put options, from June 11, 1998 through November 9, 1999. The Complaint also pleads additional claims on behalf of two putative subclasses: (i) the "Merger Subclass," consisting of all WM Holdings stockholders who received Company common stock pursuant to the WM Holdings Merger, and (ii) the "Eastern Merger Subclass," consisting of all Eastern Environmental Services, Inc. ("Eastern") stockholders who received Company common stock pursuant to the Company's acquisition of Eastern on December 31, 1998.

Among other things, the plaintiff alleges that the Company and certain of its current and former officers and directors (i) made misrepresentations in the registration statement and prospectus filed with the SEC in connection with the WM Holdings Merger, (ii) made knowingly false earnings projections for the three months ended June 30, 1999, (iii) failed to adequately disclose facts relating to its earnings projections that the plaintiff claims would have been material to purchasers of the Company's common stock and (iv) made separate and distinct misrepresentations about the Company's operations and finances on and after July 29, 1999, culminating in the Company's pre-tax charge of $1,763 in the third quarter of 1999. The plaintiff also alleges that certain of the Company's current and former officers and directors sold common stock between May 10, 1999 and June 9, 1999 at prices known to have been inflated by material misstatements and omissions. The plaintiff in this action seeks damages with interest, costs and such other relief as the court deems proper. Defendants filed a motion to dismiss on October 3, 2000. On August 16, 2001, the court granted the motion in part and denied it in part, allowing the plaintiff to replead its claims.

On November 7, 2001, the Company announced that it had reached a settlement agreement with the plaintiff, resolving all claims brought in the action against the Company as well as claims against current and former officers and directors of the Company. A hearing was held April 29, 2002, at which the settlement agreement was approved. The agreement, which will become final after the appeal period has run, provides for a payment of $457 to the members of the class and for the Company to consent to the certification of a class for the settlement of purchasers or acquirers of the Company's securities from June 11, 1998 through November 9, 1999. As part of the settlement agreement, the Company also has presented and recommended at its 2002 annual meeting of stockholders that its stockholders approve a binding resolution to require that all directors be elected annually. In anticipation of the settlement agreement, the Company recorded a charge to asset impairments and unusual items, net of anticipated insurance recoveries, of $389 in the third quarter 2001. Additionally, certain stockholders opted out of the settlement, and while certain of those opt-outs might seek remedies against the Company, the Company does not know which of these exclusions, if any, will ultimately result in litigation.

Also on November 7, 2001, the Company announced that, subject to court approval and additional confirmatory discovery by the derivative plaintiffs, the Company will receive $20 (less fees awarded to counsel for the derivative plaintiffs) as a result of a settlement reached between the derivative plaintiffs and Arthur Andersen LLP ("Andersen") in a stockholder derivative suit filed on July 3, 2001 in Texas state court against Andersen, as the Company's independent auditor. The additional discovery was completed in January 2002, after which the parties executed an agreement removing this contingency from the settlement. The Company recorded $15 as an offset to asset impairments and unusual items in the third quarter 2001 in connection with the settlement agreement. The derivative plaintiffs have alleged that Andersen engaged in professional malpractice in connection with certain services that it performed for the Company. Andersen has informed the Company that neither the complaint nor the settlement affected its independence in 2001 or prior years, when Andersen served as the Company's independent auditor. A hearing to approve the settlement has been scheduled for May 17, 2002.

On June 29, 2000, a putative class action was filed against the Company in Delaware state court by a class of former Eastern stockholders falling within the scope of the Eastern Merger Subclass described above. The plaintiffs allege that the Company stock they received in exchange for their Eastern shares was overvalued for the same reasons alleged in the consolidated class actions in Texas. On August 4, 2000, the Company removed the case from the state court to federal court. On June 14, 2001, the Company filed a motion with the Judicial Panel on Multidistrict Litigation (the "MDL Panel") to transfer all cases that are pending or that may be filed in, or removed to, federal courts that relate to the claims asserted in the consolidated Texas class actions to the Southern District of Texas Court for coordinated or consolidated pre-trial proceedings. This motion covered the Delaware putative class action brought by the former Eastern stockholders. The MDL Panel granted the Company's motion on November 7, 2001, thereby transferring the case to the Southern District of Texas Court. The Delaware plaintiffs requested their lawsuit be remanded to state court, which motion was granted in February 2002. The named plaintiffs in the Delaware case have excluded themselves from the Texas class action settlement. The case is still at a relatively early stage, and the amount of damages, if any, cannot yet be determined.

Certain sellers of individual businesses to the Company or to a company later acquired by the Company have also brought lawsuits, alleging that for reasons similar to those in the consolidated Texas class actions described above, the stock that they received in the sales of their businesses was overvalued. The first such lawsuit was brought in Virginia state court in July 2000. The Company's demurrer in that case was denied in January 2002. The plaintiff in the Virginia case has excluded himself from the Texas class action settlement. The second seller's lawsuit was brought in Michigan state court in May 2001. After the Company removed this case to federal court, the plaintiffs filed another new lawsuit in Michigan state court alleging only state law claims and also filed a duplicative complaint in the Southern District of Texas Court. The Company reached a settlement with the plaintiffs in the Michigan state and federal lawsuits in April 2002. The third seller's lawsuit was brought in California state court in July 2001, with an amended complaint filed in December 2001. The parties to this lawsuit entered into a settlement agreement in April 2002.

Two groups of stockholders have filed separate lawsuits in state courts in Texas against the Company and certain of its former officers. The petitions allege that the plaintiffs are substantial stockholders of the Company's common stock who intended to sell their stock in 1999, or otherwise protect against loss, but that the individual defendants made false and misleading statements regarding the Company's prospects that, along with public statements, induced the plaintiffs to retain their stock. Plaintiffs assert that the value of their retained stock declined dramatically. Plaintiffs assert claims for fraud, negligent misrepresentation, and conspiracy. The Court granted the Company's motion for summary judgment in the first of these cases in March 2002. The second of these cases is in an early stage, and the extent of damages, if any, cannot yet be determined.

The Company's business is intrinsically connected with the protection of the environment, and there is the potential for the unintended or unpermitted discharge of materials into the environment. From time to time, the Company pays fines or penalties in environmental proceedings relating primarily to waste treatment, storage or disposal facilities. As of March 31, 2002, there were five proceedings involving Company subsidiaries where the sanctions involved could potentially exceed one hundred thousand dollars. The matters involve allegations that subsidiaries (i) operated a hazardous waste incinerator in such a way that its air emissions exceeded permit limits, (ii) engaged in the importation and disposal of hazardous waste in contravention of applicable federal regulations, (iii) are responsible for remediation of landfill gas and chemical compounds required pursuant to a Unilateral Administrative Order associated with an NPL site, (iv) are responsible for late performance of work required under a Unilateral Administrative Order and (v) under-reported waste volumes at an operating landfill.

On April 23, 2002, the EPA and the United States Department of Justice lodged a consent decree in federal court finalizing a settlement agreement reached between Waste Management of Massachusetts, Inc. ("WMMA") and the EPA arising out of violations relating to management of chlorofluorocarbons ("CFCs") that were alleged to have occurred in periods prior to July 1998. Under the consent decree, which is subject to a thirty day public comment period once it is published, WMMA will pay a $0.8 civil penalty and spend $2.6 on environmental projects that involve the installation of pollution control devices on 150 Boston school buses and the payment for the supply of cleaner burning low sulfur fuel for the buses, as well as the creation of a recreational open space area on a 4.5 acre waterfront property owned by the City of Boston. The ultimate outcome of this matter, which is still subject to public review, is not expected to have a material adverse effect on the Company's financial statements.

The Company has brought suit against numerous insurance carriers in an action entitled Waste Management, Inc., et al. v. The Admiral Insurance Company, et al., pending in the Superior Court in Hudson County, New Jersey. The Company has been seeking (i) a declaratory judgment that past and future environmental liabilities asserted against it or its subsidiaries are covered by its insurance policies and (ii) to recover defense and remediation costs and other damages incurred as a result of the insurance carriers' denial of coverage of environmental liabilities. The Company began mediating certain of the claims in the third quarter of 2001. Trial with respect to five of the sites where discovery was complete began in October 2001 ("Phase I"). To date, the Company has entered into settlement agreements with substantially all Phase I defendants and has dismissed its claims as to those defendants. The Company is currently engaged in the initial stages of preparing for trial in the next phase of the litigation ("Phase II"), which involves only two parties as material defendants. The Company is unable to predict the outcome of the remaining proceedings, but it believes the majority of the claims were settled in 2001.

It is not possible at this time to predict the impact that the above lawsuits, proceedings, investigations and inquiries may have on the Company, nor is it possible to predict whether any other suits or claims may arise out of these matters in the future. The Company and each of its subsidiaries intend to defend themselves vigorously in all the above matters. However, it is reasonably possible that the outcome of any present or future litigation, proceedings, investigations or inquiries may have a material adverse impact on their respective financial conditions or results of operations in one or more future periods.

The Company and certain of its subsidiaries are also currently involved in other routine civil litigation and governmental proceedings relating to the conduct of their business. The outcome of any particular lawsuit or governmental investigation cannot be predicted with certainty and these matters could, individually or in the aggregate, have a material adverse impact on the Company's financial statements.

Other -- The Company is a party to an agreement pursuant to which it is obligated to purchase certain operating assets in Canada no later than December 2005. However, there is an option in the agreement that allows either party to cause an earlier purchase. The purchase price is based on certain calculations of the financial performance of the assets to be acquired, which will be determined at the time of purchase. In addition, the Company subcontracted certain business to the owner of the assets to be purchased. The owner has informed the Company that it believes the Company is required to repurchase the subcontracted business. The Company strongly disagrees with this position. In any event, the Company does not believe that the purchase will have a material effect on its financial statements.

9. SEGMENT AND RELATED INFORMATION

The Company's North American solid waste business ("NASW") is the Company's principal reportable segment and is presented below as a subtotal that includes the "NASW (excluding WTI)" and "WTI" columns. The NASW segment provides integrated waste management services consisting of collection, transfer, disposal (solid waste landfill, hazardous waste landfill and waste-to-energy facilities), recycling, independent power production plants ("IPPs"), and other miscellaneous services to commercial, industrial, municipal and residential customers throughout the United States, Puerto Rico and Canada. The Company's five geographically organized NASW operating segments and its national recycling operations have been aggregated as NASW (excluding WTI) below due to their economic and operational similarities. The WTI operating segment consists of the Company's waste-to-energy and independent power production facilities. Though also economically similar to its other NASW operations, the Company has elected to present WTI as a separate segment. The Company's other operating units consisted of waste management services in international markets outside of North America and non-solid waste services, all of which were divested by March 31, 2002.

Summarized financial information concerning the Company's reportable segments is shown in the following table. Prior period information has been restated to conform to the current year presentation.

	NASW (EXCLUDING WTI)	WTI	NASW TOTAL	OTHER	CORPORATE FUNCTIONS(A)	TOTAL
Three Months Ended:						
March 31, 2002						
Net operating revenues(b)..............	$2,434	$167	$2,601	$ 8	$ --	$2,609
EBIT(c),(d)................	389	35	424	(2)	(90)	332
March 31, 2001						
Net operating revenues(b)..............	$2,505	$180	$2,685	$ 34	$ --	$2,719
EBIT(c),(d)................	464	29	493	(16)	(133)	344

- ---------------

(a) Corporate functions include the corporate treasury, legal, information technology, corporate tax, corporate insurance, management of the closed landfill and related insurance recovery, centralized service center and other typical administrative functions.

(b) Other operations are net of intersegment revenue with NASW of $1 and $6 for the three months ended March 31, 2002 and 2001, respectively. There are no other significant sales between reportable segments. However, WTI operations are net of intrasegment revenue with NASW (excluding WTI) of $15 for both the three months ended March 31, 2002 and 2001. Additionally, NASW (excluding WTI) operations are net of intrasegment revenue with WTI of $5 and $6 for the three months ended March 31, 2002 and 2001, respectively.

(c) EBIT is defined as "Earnings Before Interest and Taxes" and equals income from operations on the consolidated statements of operations. EBIT is an earnings measurement used by management to evaluate operating performance.

(d) For those items included in the determination of EBIT, the accounting policies of the segments are generally the same as those described in the summary of significant accounting policies in the Company's Form 10-K for the year ended December 31, 2001 except as it relates to goodwill. EBIT in 2001 included goodwill amortization of $39, of which $29 was in the NASW (excluding WTI) segment, $8 was in the WTI segment, and $2 was in the corporate function. As discussed in Note 12, the Company ceased the amortization of its goodwill in conjunction with the adoption of SFAS No. 142 on January 1, 2002. In 2002, the Company's corporate functions began charging its NASW operations an expense similar to what those NASW operations' goodwill amortization would have been had the Company not been required to adopt SFAS No. 142. For the three months ended March 31, 2002, this charge increased EBIT for the corporate functions by $36 and decreased EBIT for the WTI segment by $7 and the NASW (excluding WTI) segment by $29.

10. WASTE PAPER DERIVATIVES AND HEDGING ACTIVITIES

The Company enters into waste paper swap agreements and other derivative instruments to secure margins on certain paper products to be sold from its material recovery facilities. The Company expects to achieve the margins by entering into transactions to mitigate the variability in cash flows from sales of waste paper products at floating prices, resulting in a fixed price being received from sales of such products. The Company accounts for these derivatives as cash flow hedges. As of March 31, 2002, the fair value of these derivatives as well as any hedge ineffectiveness was not material.

In addition, the Company has entered into waste paper swap agreements for trading purposes with certain counterparties that have issued letters of credit to the Company to support their credit worthiness. For the first quarter of 2002, the Company reduced revenues by $0.2 for waste paper swap agreements not designated as hedges.

For the quarter ending March 31, 2001 the Company recorded a gain of $6 related to derivative agreements with Enron North America Corp. ("Enron") as an offset to operating expenses. In the fourth quarter of 2001, the Company reclassified its year-to-date net waste paper swap mark-to-market adjustments to be an adjustment to revenue instead of operating expenses. On December 2, 2001, Enron declared bankruptcy under Chapter 11 of the Bankruptcy Code of 1978, as amended (the "Bankruptcy Code"). Due to the uncertainty of Enron's ability to satisfy all of its financial commitments, the Company determined that all of its waste paper derivatives with Enron had zero fair value at December 31, 2001. In February 2002, the Company terminated its derivative instruments with Enron. The Company carries a deferred gain as of March 31, 2002, which is included in accumulated other comprehensive income, of approximately $6 related to its waste paper derivatives with Enron that had qualified through November 2001 as cash flow hedges. This deferred gain is being amortized into earnings as the forecasted transactions that were previously hedged actually occur. The deferred gain related to waste paper derivatives that previously qualified as hedges that are expected to be reclassified into earnings over the next twelve months is approximately $3.

11. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

WM Holdings ("Guarantor"), which is 100% owned by Waste Management, Inc. ("Parent"), has fully and unconditionally guaranteed all of the senior indebtedness of the Parent, as well as the Parent's 4% convertible subordinated notes that matured and were repaid in February 2002. The Parent has fully and unconditionally guaranteed all of the senior indebtedness of WM Holdings, as well as WM Holdings' 5.75% convertible subordinated debentures due 2005. However, none of the Company's nor WM Holdings' debt is guaranteed by any of the Parent's indirect subsidiaries or WM Holdings' subsidiaries ("Non-Guarantors"). Accordingly, the following unaudited condensed consolidating balance sheet as of March 31, 2002 and the condensed consolidating balance sheet as of December 31, 2001, the unaudited condensed consolidating statements of operations for the three months ended March 31, 2002 and 2001, along with the related unaudited statements condensed consolidating of cash flows, have been provided below.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEETS
MARCH 31, 2002
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATION
ASSETS					
Current assets:					
Cash and cash equivalents	$ 319	$ --	$ (13)	$ --	$ 306
Other current assets	--	--	2,258	--	2,258
	319	--	2,245	--	2,564
Property and equipment, net	--	--	10,298	--	10,298
Intercompany and investment in subsidiaries	8,861	5,696	(8,343)	(6,214)	--
Other assets	20	13	5,912	--	5,945
Total assets	$9,200	$5,709	$10,112	$(6,214)	$18,807
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 4	$ --	$ 78	$ --	$ 82
Accounts payable and other accrued liabilities	81	58	2,879	--	3,018
	85	58	2,957	--	3,100
Long-term debt, less current portion	3,851	2,638	1,265	--	7,754
Other liabilities	19	--	2,676	--	2,695
Total liabilities	3,955	2,696	6,898	--	13,549
Minority interest in subsidiaries	--	--	13	--	13
Stockholders' equity	5,245	3,013	3,201	(6,214)	5,245
Total liabilities and stockholders' equity	$9,200	$5,709	$10,112	$(6,214)	$18,807

DECEMBER 31, 2001

	PARENT	GUARANTOR	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATION
ASSETS					
Current assets:					
Cash and cash equivalents	$ 757	$ --	$ (27)	$ --	$ 730
Other current assets	--	--	2,394	--	2,394
	757	--	2,367	--	3,124
Property and equipment, net	--	--	10,357	--	10,357
Intercompany and investment in subsidiaries	8,989	5,517	(8,665)	(5,841)	--
Other assets	30	21	5,958	--	6,009
Total assets	$9,776	$5,538	$10,017	$(5,841)	$19,490
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 431	$ --	$ 84	$ --	$ 515
Accounts payable and other					

accrued
liabilities...........................
73 51 3,082 -- 3,206 ------ ------ ----
--- ------- ------- 504 51 3,166 --
3,721 Long-term debt, less current
portion...... 3,860 2,645 1,204 --
7,709 Other
liabilities......................... 20
2 2,633 -- 2,655 ------ ------ -------
------- ------- Total
liabilities......................
4,384 2,698 7,003 -- 14,085 Minority
interest in subsidiaries......... -- --
13 -- 13 Stockholders'
equity...................... 5,392
2,840 3,001 (5,841) 5,392 ------ ------
------- ------- ------- Total
liabilities stockholders'
equity...............................
$9,776 $5,538 $10,017 $(5,841) $19,490
====== ====== ======= ======= =======

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2002
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$2,609	$ --	$2,609
Costs and expenses	--	--	2,277	--	2,277
Income from operations	--	--	332	--	332
Other income (expense):					
Interest income (expense), net	(56)	(41)	(15)	--	(112)
Equity in subsidiaries, net of taxes	173	199	--	(372)	--
Minority interest	--	--	(1)	--	(1)
Other, net	--	--	2	--	2
	117	158	(14)	(372)	(111)
Income before income taxes	117	158	318	(372)	221
Provision for (benefit from) income taxes	(21)	(15)	120	--	84
Income before extraordinary item and cumulative effect of change in accounting principle	138	173	198	(372)	137
Extraordinary item	--	--	(1)	--	(1)
Cumulative effect of change in accounting principle	--	--	2	--	2
Net income	$138	$173	$ 199	$(372)	$ 138

THREE MONTHS ENDED MARCH 31, 2001
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$2,719	$ --	$2,719
Costs and expenses	--	--	2,375	--	2,375
Income from operations	--	--	344	--	344
Other income (expense):					
Interest income (expense), net	(75)	(51)	(11)	--	(137)
Equity in subsidiaries, net of taxes	171	203	--	(374)	--
Minority interest	--	--	(1)	--	(1)
Other, net	--	--	6	--	6
	96	152	(6)	(374)	(132)
Income before income taxes	96	152	338	(374)	212
Provision for (benefit from) income taxes					

taxes..............................
(28) (19) 136 -- 89 ---- ---- ----
-- ----- ------ Income before
extraordinary item and cumulative
effect of change in accounting
principle............... 124 171
202 (374) 123 Extraordinary
item................... -- -- (1)
-- (1) Cumulative effect of change
in accounting
principle............... -- -- 2 -
- 2 ---- ---- ------ ----- ------
Net
income...........................
$124 $171 $ 203 $(374) $ 124 ====
==== ====== ===== ======

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2002
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATION
Cash flows from operating activities:					
Net income..................................	$ 138	$ 173	$ 199	$(372)	$ 138
Equity in earnings of subsidiaries, net of taxes.....................................	(173)	(199)	--	372	--
Other adjustments and charges...............	6	8	284	--	298
	-----	-----	-----	-----	-----
Net cash provided by (used in) operating activities.................................	(29)	(18)	483	--	436
	-----	-----	-----	-----	-----
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired.................................	--	--	(48)	--	(48)
Capital expenditures........................	--	--	(180)	--	(180)
Proceeds from divestitures of businesses, net of cash divested, and other sales of assets....................................	--	--	37	--	37
Other.......................................	--	--	60	--	60
	-----	-----	-----	-----	-----
Net cash used in investing activities.........	--	--	(131)	--	(131)
	-----	-----	-----	-----	-----
Cash flows from financing activities:					
New borrowings..............................	--	--	--	--	--
Debt repayments.............................	(427)	--	(12)	--	(439)
Stock repurchases...........................	(300)	--	--	--	(300)
Exercise of common stock options and warrants..................................	10	--	--	--	10
(Increase) decrease in intercompany and investments, net.........................	308	18	(326)	--	--
	-----	-----	-----	-----	-----
Net cash provided by (used in) financing activities.................................	(409)	18	(338)	--	(729)
	-----	-----	-----	-----	-----
Increase (decrease) in cash and cash equivalents.................................	(438)	--	14	--	(424)
Cash and cash equivalents at beginning of period......................................	757	--	(27)	--	730
	-----	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	$ 319	$ --	$ (13)	$ --	$ 306
	=====	=====	=====	=====	=====

THREE MONTHS ENDED MARCH 31, 2001
(UNAUDITED)

Cash flows from operating activities:					
Net income..................................	$ 124	$ 171	$ 203	$(374)	$ 124
Equity in earnings of subsidiaries, net of taxes....................................	(171)	(203)	--	374	--
Other adjustments and charges...............	16	19	241	--	276
	-----	-----	-----	-----	-----
Net cash provided by (used in) operating activities.................................	(31)	(13)	444	--	400
	-----	-----	-----	-----	-----
Cash flows from investing activities:					
Acquisitions of businesses, net of cash					

acquired	--	--	(22)	--	(22)
Capital expenditures	--	--	(144)	--	(144)
Proceeds from divestitures of businesses, net of cash divested, and other sales of assets	--	--	6	--	6
Other	--	--	56	--	56
Net cash used in investing activities	--	--	(104)	--	(104)
Cash flows from financing activities:					
New borrowings	594	--	359	--	953
Debt repayments	(120)	--	(354)	--	(474)
Exercise of common stock options and warrants	18	--	--	--	18
(Increase) decrease in intercompany and investments, net	307	(1)	(306)	--	--
Net cash provided by (used in) financing activities	799	(1)	(301)	--	497
Increase (decrease) in cash and cash equivalents	768	(14)	39	--	793
Cash and cash equivalents at beginning of period	174	14	(94)	--	94
Cash and cash equivalents at end of period	$ 942	$ --	$ (55)	$ --	$ 887

12. NEW ACCOUNTING PRONOUNCEMENTS

SFAS NO. 141 AND SFAS NO. 142

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Accounting for Business Combinations ("SFAS No. 141"), and Statement of Financial Accounting Standards No. 142, Accounting for Goodwill and Other Intangible Assets ("SFAS No. 142"). SFAS No. 141 requires that all business combinations be accounted for using the purchase method of accounting and prohibits the pooling-of-interests method for business combinations initiated after June 30, 2001. According to SFAS No. 142, goodwill that arose from business combinations after June 30, 2001 cannot be amortized. In addition, SFAS No. 142 required the continuation of the amortization of goodwill and all intangible assets through December 31, 2001. The amortization of existing goodwill ceased on January 1, 2002. SFAS No. 142 requires a two-step impairment approach for goodwill. Companies must first determine whether goodwill is impaired and if so, they must value that impairment based on the amount by which the book value exceeds the estimated fair value. Companies have six months from the date they initially apply SFAS No. 142 to test goodwill for impairment and any impairment charge resulting from the initial application of the new accounting pronouncement must be classified as the cumulative effect of a change in accounting principle. Thereafter, goodwill must be tested for impairment annually and impairment losses must be presented in the operating section of the income statement unless they are associated with a discontinued operation. In those cases, any impairment losses will be included, net of tax, within the results of discontinued operations.

In accordance with the Company's adoption of SFAS No. 141, the Company utilizes the purchase method of accounting for their business combinations. In accordance with the Company's adoption of SFAS No. 142, the Company has not amortized goodwill from any acquisitions that occurred after June 30, 2001. The Company has no intangible assets, other than goodwill, that have ceased being amortized upon adoption of SFAS No. 142.

Adopting SFAS No. 141 required the Company to write-off net negative goodwill of approximately $2, which was recorded as a credit to cumulative effect of change in accounting principle in the first quarter of 2002. In accordance with SFAS No. 142, goodwill is required to be tested for impairment at the reporting unit, which is defined as a company's operating segment or one level below the operating segment. For the purposes of applying SFAS No. 142, the Company has defined its reporting units to be its six individual NASW Groups and its NASW recycling operations that are not included in any of its NASW Groups. The Company incurred no impairment of goodwill upon the initial adoption of SFAS No. 142. There can be no assurance that goodwill will not be impaired at any time subsequent to the adoption of SFAS No. 142.

The following schedule reflects the three months ended March 31, 2001 adjusted net income (excluding goodwill and negative goodwill amortization) as compared to the results of operations for the three months ended March 31, 2002.

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
Reported net income	$ 138	$ 124
Add back: goodwill amortization, net of taxes	--	31
Adjusted net income	$ 138	$ 155
BASIC EARNINGS PER COMMON SHARE:		
Reported net income	$0.22	$0.20
Goodwill amortization, net of taxes	--	0.05
Adjusted net income	$0.22	$0.25
DILUTED EARNINGS PER COMMON SHARE:		
Reported net income	$0.22	$0.20
Goodwill amortization, net of taxes	--	0.05
Adjusted net income	$0.22	$0.25

The Company's intangible assets as of March 31, 2002 were comprised of the following:

	CUSTOMER LISTS	COVENANTS NOT-TO-COMPETE	LICENSES, PERMITS AND OTHER	TOTAL
Intangible assets	$125	$ 97	$18	$ 240
Less accumulated amortization	(65)	(53)	(6)	(124)
	$ 60	$ 44	$12	$ 116

Intangible assets are recorded at cost and amortized on a straight-line basis. Customer lists are generally amortized over five to seven years. Covenants not-to-compete are amortized over the term of the agreement, which is generally three to five years. Licenses, permits and other intangible assets are amortized over the definitive terms of the related agreement or the Company's estimate of the useful life if there are no definitive terms. The estimated intangible asset amortization expense for the five years following 2001 is as follows:

2002	2003	2004	2005	2006
$34	$30	$22	$13	$7

As of March 31, 2002, the amount of goodwill attributable to the Company's WTI operations was approximately $778. The remaining goodwill balance of approximately $4,231 was attributable to the Company's other NASW operations.

SFAS NO. 143

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS No. 143"). SFAS No. 143 applies to all legally enforceable obligations associated with the retirement of tangible long-lived assets and provides the accounting and reporting requirements for such obligations. Under this Statement, the amount initially recognized as an asset retirement obligation is measured at fair value. The recognized asset retirement cost is capitalized as part of the cost of the asset and is depreciated over the useful life of the asset. The Company expects to adopt SFAS No. 143 beginning January 1, 2003 and to record a cumulative effect of a change in accounting principle.

SFAS No. 143 will impact the Company's accounting for its landfill operations. Costs associated with future capping activities that occur during the operating life of a landfill, which are currently recognized on an undiscounted basis over the operating life of the landfill as airspace is consumed, will be accounted for as an asset retirement obligation under SFAS No. 143, on a discounted basis. The Company expects to recognize landfill retirement obligations, which relate to capping, other closure activities and post-closure, over the operating life of a landfill as landfill airspace is consumed and the obligation is incurred. These obligations will be initially measured at estimated fair value. Fair value will be measured on a present value basis, using a credit-adjusted, risk-free rate, which will be a higher rate than the risk-free rate the Company currently utilizes for discounting its final closure and post-closure obligations. Interest will be accreted on landfill retirement obligations using the effective interest method. Landfill retirement costs, which will be capitalized as part of the landfill asset, will be amortized using the Company's existing landfill accounting practices. The Company has begun to address which of its other assets could be affected by the provisions of SFAS No. 143. Though progress is being made, the Company's management has not yet determined the pro forma, cumulative or future effects of the adoption of SFAS No. 143 on its results of operations or financial position. Management believes that adoption of SFAS No. 143 will have no effect on the Company's cash flow.

SFAS NO. 144

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144, Accounting for the Impairment of Disposal of Long-Lived Assets ("SFAS No. 144"), which supersedes Statement of Financial Accounting Standards No. 121. SFAS No. 144 establishes a single accounting method for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and extends the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 also requires that an impairment loss be recognized for assets held-for-use when the carrying amount of an asset (group) is not recoverable. The carrying amount of an asset (group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (group), excluding interest charges. Estimates of future cash flows used to test the recoverability of a long-lived asset (group) must incorporate a Company's own assumptions about its use of the asset (group) and must factor in all available evidence. The Company adopted SFAS No. 144 on January 1, 2002. Upon initial application of this Statement, certain previously held-for-sale operations did not meet SFAS No. 144 criteria to be held-for-sale because their anticipated sale is in 2003. However, under the transition provisions of SFAS No. 144, the Company has until December 31, 2002 to either sell these assets or meet the new held-for-sale criteria to avoid reclassifying the assets to held-for-use.

SFAS NO. 145

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 145, Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS No. 145"). SFAS No. 145 requires that gains and losses from extinguishment of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board Opinion No. 30 ("Opinion No. 30"). Applying the provisions of Opinion No. 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual and infrequent that meet criteria for classification as an extraordinary item. SFAS No. 145 is effective for the Company beginning January 1, 2003, but the Company may adopt the provisions of SFAS No. 145 prior to this date. Upon the adoption of SFAS No. 145, the Company will reclassify its prior period statements of operations to conform to the presentation required by SFAS No. 145. Under SFAS No. 145, the Company will report gains and losses on the extinguishment of debt in pre-tax earnings.

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

When we make statements containing projections about our accounting and finances, about our plans and objectives for the future, about our future economic performance or containing any other projections or estimates about our assumptions relating to these types of statements, we are making forward-looking statements. The statements usually relate to future events and anticipated revenues, earnings or other aspects of our operations or operating results. We make these statements in an effort to keep stockholders and the public informed about our business, and have based them on our current expectations about future events. You should view such statements with caution. These statements are not guarantees of future performance or events. All phases of our business are subject to uncertainties, risks and other influences, many of which the Company has no control over. Any of these factors, either alone or taken together, could have a material adverse effect on the Company and could change whether any forward-looking statement ultimately turns out to be true. Additionally, the Company assumes no obligation to update any forward-looking statements as a result of future events or developments.

Outlined below are some of the risks that the Company faces and that could affect our business and financial statements for the remainder of 2002 and beyond. However, they are not the only risks that the Company faces. There may be additional risks that we do not presently know or that we currently believe are immaterial which could also impair our business.

- possible changes in our estimates of site remediation requirements, final closure and post-closure obligations, compliance and other audits and regulatory developments;

- the possible impact of regulations on our business, including the cost to comply with regulatory requirements and the potential liabilities associated with disposal operations, as well as our ability to obtain and maintain permits needed to operate our facilities;

- the effect of limitations or bans on disposal or transportation of out-of-state waste or certain categories of waste;

- possible charges against earnings for certain shut down operations and uncompleted acquisitions or development or expansion projects;

- possible charges to asset impairments or further impairments to long-lived assets resulting from changes in circumstances or future business events or decisions;

- the effects that trends toward requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes could have on volumes of waste going to landfills and waste-to-energy facilities;

- the effect the weather has on our quarter to quarter results, as well as the effect of extremely harsh weather on our operations;

- the effect that price fluctuations on commodity prices may have on our operating revenues;

- the outcome of litigation or investigations;

- the effect competition in our industry could have on our ability to maintain margins, including uncertainty relating to competition with governmental sources that enjoy competitive advantages from tax-exempt financing and tax revenue subsidies;

- our ability to successfully implement our new organization plan, improve the productivity of acquired operations and use our asset base and strategic position to operate more efficiently;

- our ability to accurately assess all of the pre-existing liabilities of companies we have acquired and to successfully integrate the operations of acquired companies with our existing operations;

- possible diversions of management's attention and increases in operating expenses due to efforts by labor unions to organize our employees;

- possible increases in operating expenses due to fuel price increases or fuel supply shortages;

- the effects of general economic conditions, including the ability of insurers to fully or timely meet their contractual commitments;

- possible defaults under our credit agreements if cash flows are less than we expect or capital expenditures are more than we expect, and the possibility that we can not obtain additional capital on acceptable terms if needed;

- possible errors or problems with our recently deployed new enterprise-wide software systems;

- the outcome of the hearing that the court will hold regarding whether the derivative lawsuit settlement we announced on November 7, 2001 is fair, reasonable and adequate;

- whether, there will be any appeals to the approval of the class action lawsuit settlement or to the derivative settlement, if approved; and

- the number of objectors to the derivative settlement.

GENERAL

Waste Management, Inc. is its industry's leading provider of integrated waste services in North America. Through our subsidiaries, we provide collection, transfer, recycling and resource recovery, and disposal services. We are also a leading developer, operator and owner of waste-to-energy facilities in the United States. Our customers include commercial, industrial, municipal and residential customers, other waste management companies, governmental entities and independent power markets.

In addition to these North America solid waste ("NASW") operations, we previously reported additional operations, including our WM International and Non-Solid Waste segments. All of our WM International operations and most of our Non-Solid Waste operations were sold in 2000 and 2001. Beginning in 2001, we reported our NASW operations and a segment called "Other," which was comprised of our remaining non-core operations, which included our geosynthetic manufacturing and installation services. The geosynthetic manufacturing and installation services were sold in February 2002. In the third quarter of 2001, we reclassified all but one of our independent power production plants ("IPPs") from held-for-sale to held-for-use. In 2002, we reclassified our IPPs from the "Other" reportable segment to the Wheelabrator Technologies Inc. ("WTI") segment.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing our financial statements, we make several estimates and assumptions that affect our reported amounts of assets and liabilities and revenues and expenses. However, the most difficult, subjective and complex estimates, and the assumptions that deal with the greatest amount of uncertainty, are related to our accounting for landfills and environmental liabilities.

Landfill Airspace Amortization and Final Closure/Post-Closure Costs -- We expense amounts for landfill airspace usage and landfill final closure and post-closure costs for each ton of waste accepted for disposal at our landfills. In determining the amount to expense for each ton of waste accepted, we estimate the total cost to develop each landfill site to its final capacity and the total final closure and post-closure costs for each landfill site. Our engineers also estimate the tonnage capacity of the landfill. The expense for each ton is then calculated based on the total costs remaining and the total remaining tonnage capacity. Estimates for projected landfill site costs and for final closure and post-closure costs are developed using input from the Company's engineers and accountants and are reviewed by management, typically at least once per year. The estimates for landfill final closure and post-closure costs also consider when the costs would actually be paid and factor in, where appropriate, inflation and discount rates.

In determining the amounts to expense for airspace amortization and final closure and post-closure costs, our engineers estimate the unused permitted airspace at each landfill. We will also consider expansion airspace in our estimate of available airspace when we believe the success of obtaining such an airspace expansion is probable. The criteria we use for evaluating the probability of obtaining an expansion permit to landfill airspace at existing sites are as follows:

- Personnel are actively working to obtain land use and local and state approvals for an expansion of an existing landfill;

- At the time the expansion is added to the permitted site life, it is probable that the approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located;

- Either we or the respective landfill owners have a legal right to use or obtain land to be included in the expansion plan;

- There are no significant known technical, legal, community, business, or political restrictions or similar issues that could impair the success of such expansion;

- Financial analysis has been completed, and the results demonstrate that the expansion has a positive financial and operational impact; and

- Airspace and related costs, including additional final closure and post-closure costs, have been estimated based on conceptual design.

Additionally, to include airspace associated with an expansion effort, the expansion permit application must generally be expected to be submitted within one year, and the expansion permit must be expected to be received within two to five years. Exceptions to these criteria must be approved through a landfill-specific approval process that includes the approval from the Chief Financial Officer and a review by the Audit Committee of the Board of Directors on a quarterly basis. Of the 105 landfill sites with expansions at March 31, 2002, 25 landfill locations required the Chief Financial Officer to approve an exception to the criteria. Approximately two-thirds of these exceptions were due to legal or community issues that could impede the expansion process, while the remaining were primarily due to permit application processes beyond the one-year limit, which in most cases were due to state-specific permitting procedures.

We have generally been successful in receiving approvals for expansions pursued; however, there can be no assurance that we will be successful in obtaining landfill expansions in the future. In some cases we may be unsuccessful in obtaining an expansion permit or we may determine that an expansion permit that we previously thought was probable becomes unlikely. The estimates and assumptions used in developing this information are reviewed by our engineers and accountants at least annually, and we believe them to be reasonable. However, to the extent that such estimates, or the assumptions used to make those estimates, prove to be incorrect, or our belief that we will receive an expansion permit changes to remote, the costs incurred in the pursuit of the expansion will be charged against earnings, net of any capitalized expenditures and advances that will be recoverable, through sale or otherwise. Additionally, the landfill's future operations will typically reflect lower profitability due to higher amortization rates, final closure and post-closure rates, and expenses related to the removal of previously included expansion airspace. The landfill may also become subject to impairment, which could be material to the results of operations of any individual reporting period.

Environmental Remediation Liabilities -- Under current laws and regulations, we may have liability for environmental damage caused by our operations, or for damage caused by conditions that existed before we acquired a particular site. We estimate costs required to remediate sites where liability is probable based on site specific facts and circumstances. Cost estimates to remediate each specific site are developed by assessing (i) the scope of our contribution to the environmental matter, (ii) the scope of the anticipated remediation and monitoring plan, and (iii) the extent of other parties' share of responsibility.

Our engineers and accountants also specifically review the estimates and assumptions related to environmental remediation liabilities at least annually. In many circumstances the actual costs related to these liabilities which we have estimated or assumed may not be known for decades into the future. However, we believe that based on our extensive experience in the environmental services business and the large number of sites we have dealt with, we have the ability to reasonably estimate our aggregate liability. As additional information becomes available, estimates are adjusted as necessary. It is possible that technological, regulatory or enforcement developments, the results of environmental studies, the nonexistence or inability of other potentially responsible third parties to contribute to the settlements of such liabilities, or other factors could prove our estimates to be inaccurate, necessitating the recording of additional liabilities, which could have a material adverse impact on our financial statements.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001

The following table presents, for the periods indicated, the period to period change in dollars (in millions) and percentages for the respective consolidated statements of operations line items.

	PERIOD TO PERIOD CHANGE FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001	
STATEMENT OF OPERATIONS:		
Operating revenues	$(110)	(4.0)%
Costs and expenses:		
Operating (exclusive of depreciation and amortization shown below)	(81)	(4.9)
Selling, general and administrative	(2)	(0.5)
Depreciation and amortization	(41)	(12.2)
Restructuring	37	N/A
Asset impairments and unusual items	(11)	(220.0)
	(98)	(4.1)
Income from operations	(12)	(3.5)
Other income (expense):		
Interest expense	38	24.7
Interest and other income, net	(17)	(73.9)
Minority interest	--	--
	21	15.9
Income before income taxes	9	4.2
Provision for income taxes	(5)	(5.6)
Income before extraordinary items and cumulative effect of changes in accounting principle	$ 14	11.3%

The following table presents, for the periods indicated, the percentage relationship that the respective consolidated statements of operations line items bear to operating revenues:

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
STATEMENT OF OPERATIONS:		
Operating revenues	100.0%	100.0%
Costs and expenses:		
Operating (exclusive of depreciation and amortization shown below)	60.0	60.5
Selling, general and administrative	14.8	14.3
Depreciation and amortization	11.3	12.3
Restructuring	1.4	--
Asset impairments and unusual items	(0.2)	0.2
	87.3	87.3
Income from operations	12.7	12.7
Other income (expense):		
Interest expense	(4.4)	(5.7)
Interest and other income, net	0.2	0.8
Minority interest	--	--
	(4.2)	(4.9)
Income before income taxes	8.5	7.8
Provision for income taxes	3.2	3.3
Income before extraordinary items and cumulative effect of changes in accounting principle	5.3%	4.5%

OPERATING REVENUES

For the three months ended March 31, 2002, our operating revenues decreased $110 million, or 4.0%, as compared to the first quarter of 2001. Of this amount, $84 million was attributable to lower operating revenues from our NASW operations and the remainder was primarily due to divestitures of non-NASW operations.

Our NASW operating revenues generally come from fees charged for our collection, disposal, and transfer station services. A portion of the fees we charge to our customers for collection services is billed in advance; a liability for future service is recorded upon receipt of payment and operating revenues are recognized as services are actually provided. Revenues from our disposal operations consist of tipping fees charged to third parties based on volume of waste being disposed of at our disposal facilities and are normally billed monthly or semi-monthly. Fees charged at transfer stations are based on the volume of waste deposited, taking into account our cost of loading, transporting, and disposing of the solid waste at a disposal site. Intercompany revenues between our operations have been eliminated in the consolidated financial statements.

The mix of NASW operating revenues for the three months ended March 31, 2002 and 2001 is reflected in the table below. The presentation of prior period operating revenues has been conformed to the current period presentation:

[CHART]

	2002	2001
Collection	$1,823	$1,854
Landfill	$ 595	$ 626
Transfer	$ 316	$ 328
WTI (waste-to-energy and IPPs)	$ 182	$ 195
Recycling and other	$ 134	$ 147
Intercompany	$ (449)	$ (465)
Total	$2,601	$2,685

We experienced negative internal growth of $95 million, or 3.6%, during the first quarter of 2002 as compared to the prior year. The most significant factor causing the negative internal growth was an $88 million, or 3.3%, decline in revenue associated with reduced volumes. We believe the volume declines are primarily due to the continued slowing of the economy throughout North America, which has particularly affected volumes in the higher margin commercial and industrial collection operations as well as in our landfill operations. We also experienced a period to period price decline of $7 million, or 0.3%. Negatively affecting our pricing was recycling commodity price declines of $20 million, declines in electricity pricing of $15 million and reductions in our fuel surcharge revenue of $16 million. However, we substantially offset these price declines with price increases of $44 million, or 1.6%, throughout the remainder of our NASW operations.

Offsetting this negative internal growth was an increase in revenues of $18 million due to acquisitions of NASW business during 2002 and the full year effect of such acquisitions which were completed in 2001. We also experienced a decrease in revenue of $7 million due to divestitures of NASW operations and other business factors including the foreign currency fluctuations with the Canadian dollar.

OPERATING COSTS AND EXPENSES (EXCLUSIVE OF DEPRECIATION AND AMORTIZATION SHOWN BELOW)

Our operating costs and expenses include direct and indirect labor and related taxes and benefits, fuel, maintenance and repairs of equipment and facilities, tipping fees paid to third party disposal facilities and transfer stations, and accruals for future landfill final closure and post-closure costs and environmental remediation. 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, grading, construction, capitalized interest, and permitting costs. All indirect expenses, such as administrative salaries and general corporate overhead, are expensed in the period incurred.

Operating costs and expenses decreased $81 million, or 4.9%, in the first quarter of 2002, as compared to the first quarter of 2001 primarily because of the reductions in waste volumes caused by the slowing economy in North America. As a percentage of operating revenues, operating costs and expenses decreased from 60.5% in the first quarter of 2001 to 60.0% in the first quarter of 2002. Operating costs and expenses as a percentage of operating revenues have decreased slightly due to our implementation of cost cutting initiatives and the restructuring of our field based operations to be more efficient.

SELLING, GENERAL AND ADMINISTRATIVE

Our selling, general and administrative expenses include management salaries, clerical and administrative costs, professional services, facility rentals, provision for doubtful accounts, related insurance costs and costs related to our marketing and sales force.

Selling, general and administrative expenses were substantially consistent in the first quarter of 2002 as compared to the first quarter of 2001. However, as a percentage of operating revenues, our selling, general and administrative expenses increased to 14.8% from 14.3% for the three months ended March 31, 2002 and 2001, respectively. This increase in expense as a percentage of revenues is primarily attributable to the lower operating revenues already described without a corresponding reduction in selling, general and administrative expenses. However, we have initiated several cost cutting measures and have restructured our field based operations and believe that these measures will lower these expenses as a percentage of operating revenues in future periods.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization includes (i) amortization of intangible assets on a straight-line basis from 3 to 40 years; (ii) depreciation of property and equipment on a straight-line basis from 3 to 50 years; and (iii) amortization of landfill costs on a units-of-consumption method as landfill airspace is consumed over the estimated remaining capacity of a site. In 2001, depreciation and amortization expense also included the amortization of goodwill on a straight-line basis over a period of 40 years or less, commencing on the dates of the respective acquisition.

Depreciation and amortization expense decreased $41 million, or 12.2%, for the first quarter of 2002 as compared to the first quarter of 2001. As a percentage of operating revenues, depreciation and amortization expense was 11.3% and 12.3% for the quarters ended March 31, 2002 and 2001, respectively. The decrease in depreciation and amortization expense is primarily attributable to our adoption of the Statement of Financial Accounting Standards No. 142, Accounting for Goodwill and Other Intangible Assets ("SFAS No. 142"), which required that the amortization of all goodwill cease on January 1, 2002. Goodwill amortization for the three months ended March 31, 2001 was $39 million, or 1.5% of operating revenues. Excluding the effect of goodwill amortization expense in 2001, depreciation and amortization expense as a percentage of revenues increased 0.4% from the first quarter of 2001 to the first quarter of 2002. Higher depreciation expense was recorded in the first quarter of 2002 primarily due to significant truck purchases in the last half of 2001. This was substantially offset by lower landfill airspace amortization expense recorded in the first quarter of 2002 from reduced tonnage accepted at our landfills as compared to the first quarter of 2001.

RESTRUCTURING

In the first quarter of 2002, we adopted a new organizational structure that better aligns collection, transport, recycling and disposal resources with market areas. We believe the new structure will yield a number of benefits, among them clearer accountability and responsibility for business performance and profitability in specific markets; simplification of structure; cost savings through consolidation of duplicate administrative and other support functions; improved utilization of operating assets; and better customer responsiveness.

The new organizational structure does not affect our WTI or Canadian Waste Services ("CWS") operations. Our remaining operations were restructured to reduce the number of field layers of management from four to three and the number of field layers that have administrative and functional staff from four to two. The new structure refocuses our approximately 1,200 sites into 85 newly established Market Areas. The sites include waste collection depots, transfer stations, landfills and recycling facilities. These Market Areas are responsible for the sales and marketing of the Company's services and for directing the delivery of service by operating units. The Market Area is also the profit center, and the districts, all of which used to be profit centers, became cost centers. Each large Market Area is headed by a Vice President and the others are headed by a General Manager. The Market Areas consolidate financial reporting and provide a range of assistance in the areas of finance and accounting, procurement, people, market planning and development, fleet services, recycling, legal services, engineering, regulatory compliance, safety and public affairs. They all report to one of four Groups that divide the United States geographically, and which were formerly known as our "Areas." WTI and CWS, the fifth and sixth Areas under the previous structure, continue as the fifth and sixth Groups under the new structure.

In March 2002, we recorded a $37 million pre-tax charge for costs associated with the implementation of the new structure, including $34 million for employee severance and benefit costs and $3 million related to abandoned operating lease agreements. Approximately 1,800 field-level administrative and operational positions were eliminated by this reorganization. The former employees will receive scheduled severance payments during 2002, and in some cases, into 2003. During March 2002, we made payments of $3 million for employee severance and benefits and for abandoned leases.

We expect to incur an additional $8 million of restructuring expenses throughout the remainder of 2002 related to the relocation of employees and the consolidation of facilities to support the new organizational structure. This $8 million in additional costs will be recognized as restructuring expenses when incurred.

ASSET IMPAIRMENTS AND UNUSUAL ITEMS

During the first quarter of 2002, we recorded a net credit to asset impairments and unusual items, primarily due to a reversal of a loss contract reserve of approximately $4 million and adjustments of $5 million for revisions of estimated losses on assets held-for-sale. These amounts were partially offset by asset impairment charges primarily relating to our 2002 restructuring efforts.

In the first quarter of 2001, asset impairments and unusual items were primarily attributable to our divestiture activities, offset in part by a reversal of a loss contract reserve that was determined to be excessive after a favorable renegotiation of that specific contract.

INTEREST EXPENSE

Interest expense decreased by $38 million in the first quarter of 2002, as compared to the first quarter of 2001. Approximately $13 million of this decrease is due to the decrease in our overall indebtedness. In addition, interest rate swap contracts reduced interest expense by $20 million and $1 million for the three months ended March 31, 2002 and 2001, respectively. The remaining decrease in interest expense between the first quarter of 2002 and 2001 is primarily due to the refinancing of debt instruments throughout 2001 and into 2002 at lower rates.

PROVISION FOR INCOME TAXES

We recorded a provision for income taxes of $84 million and $89 million for the three months ended March 31, 2002 and 2001, respectively. The difference in federal income taxes computed at the federal statutory rate and reported income taxes for the three months ended March 31, 2002 is primarily due to state and local income taxes . For the three months ended March 31, 2001, the difference is primarily due to state and local income taxes, non-deductible costs related to acquired intangibles and non-deductible costs associated with the impairment and divestiture of certain businesses.

EXTRAORDINARY ITEMS

During the first quarter of 2002, we refinanced approximately $49 million of fixed-rate tax exempt bonds maturing in 2011 with variable-rate tax exempt bonds maturing in 2022. As a result, we incurred prepayment penalties and other fees for a total charge, net of tax benefit, of approximately $1 million.

In the first quarter of 2001, the Company, working with local governmental authorities, refinanced $339 million of fixed-rate tax-exempt bonds maturing through 2008 with $326 million of variable-rate tax-exempt bonds maturing through 2011 and $17 million of fixed-rate bonds that matured in 2001. We recorded a net extraordinary loss for the remaining unamortized premium and issuance costs related to the retired debt.

CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

As a result of adopting Statement of Financial Accounting Standards ("SFAS") No. 141, "Accounting for Business Combinations," on January 1, 2002, we were required to write-off amounts of negative goodwill that had been recorded in prior periods through purchase accounting. The aggregate amount of negative goodwill was $2 million and was recorded as a credit to cumulative effect of change in accounting principle in the first quarter of 2002.

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, became effective for the Company as of January 1, 2001. Adoption of SFAS 133, as amended, resulted in a gain, net of tax, of approximately $2 million in the first quarter of 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in a capital intensive business and continuing access to various financing sources is vital to our operations. In the past, we have been successful in obtaining financing from a variety of sources on terms we consider attractive. Based on several key factors we believe are considered by credit rating agencies and financial markets to be important in determining our future access to financing, we expect to continue to maintain access to capital sources in the future. These factors include:

- the essential nature of the services we provide and our large and diverse customer base;

- our ability to generate strong and consistent cash flows;

- our asset base; and

- our commitment to maintaining a moderate financial profile and disciplined capital allocation.

In addition to our working capital needs for ongoing operations, we have capital requirements for (i) capital expenditures for construction and expansion of landfill sites, as well as new trucks and equipment for collection operations, (ii) refurbishments and improvements at waste-to-energy facilities and (iii) business acquisitions.

Our strategy is to meet our capital needs and contractual obligations first from internally generated funds. Historically, we have also, when appropriate, obtained financing from issuing debt and common stock. We currently expect to spend approximately $1.1 billion for capital expenditures and approximately $200 million for the purchases of businesses during the final three quarters of 2002.

The following is a summary of our cash balances and cash flows for the three months ended March 31, 2002 and 2001 (in millions):

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
Cash and cash equivalents at the end of the period..........	$ 306	$ 887
Cash provided by operating activities......................	$ 436	$ 400
Cash used in investing activities...........................	$(131)	$(104)
Cash provided by (used in) financing activities.............	$(729)	$ 497

For the quarter ended March 31, 2002, we spent $180 million for capital expenditures and $48 million for acquisitions of businesses, as well as $439 million for net debt reductions and $300 million for common stock repurchases. We funded these cash expenditures primarily with cash flows from operations and cash on hand at the beginning of 2002.

For the quarter ended March 31, 2001, cash flows from operations of approximately $400 million was negatively impacted by a use of cash to fund working capital of approximately $122 million. Included in our investing activities for this period were capital expenditures of $144 million and acquisitions of businesses of $22 million, offset in part by proceeds from sales of assets and other investing activities. Net cash provided by financing activities were primarily attributable to a debt offering of $600 million in the first quarter of 2001 completed to retire senior notes maturing in the second quarter of 2002.

The following summary of free cash flows has been prepared to highlight and facilitate understanding of the primary cash flow elements. It is not intended to replace the consolidated statements of cash flows for the three months ended March 31, 2002 and 2001, which were prepared in accordance with generally accepted accounting principles. Adjusted free cash flow in the table below, which is not a measure of financial performance in accordance with generally accepted accounting principles, is defined as cash flows from operations less capital expenditures and then adjusted for certain cash flow activity that the Company considers as unusual for the respective periods.

The analysis of free cash flows for the three months ended March 31, 2002 and 2001 is as follows (in millions):

THREE MONTHS ENDED MARCH 31,	2002	2001
EBITDA(a)	$ 657	$ 684
Interest paid	(93)	(128)
Taxes paid	(18)	(11)
Change in assets and liabilities, net of effects of acquisitions and divestitures, and other	(110)	(145)
Net cash provided by operating activities	436	400
Capital expenditures	(180)	(144)
Free cash flow	256	256
Adjustments: Payments for terminating the WM Holdings' defined benefit pension plan	--	13
Accounting and consulting services	--	39
Litigation settlements	--	7
Other	--	(6)
Adjusted free cash flow	$ 256	$ 309

- ---------------

(a) EBITDA is defined herein as income from operations excluding depreciation and amortization, asset impairments and unusual items, and restructuring related expenses. EBITDA is not a measure of financial performance under generally accepted accounting principles, but we have provided it here because we understand that such information is used by certain investors when analyzing the Company's financial position and performance.

We have a $750 million syndicated line of credit (the "Line of Credit") and a $1.75 billion syndicated revolving credit facility (the "Revolver") with no balances outstanding as of December 31, 2001 or March 31, 2002. The Line of Credit requires annual renewal by the lender, and if it is not renewed, we have the option of converting the balance outstanding, if any, as of June 28, 2002 into a one-year term loan. The Revolver matures in June 2006. As of March 31, 2002, we had letters of credit in the aggregate amount of approximately $1.6 billion, (of which approximately $1.5 billion are issued under our Revolver), that generally have terms allowing automatic renewal after a year. At March 31, 2002 and May 3, 2002, we had unused and available credit capacity under the bank credit facilities of approximately $988 million and approximately $1.0 billion, respectively.

We have $300 million of 6.625% senior notes due July 15, 2002, $285.7 million of 7.7% senior notes due October 1, 2002 and $350 million of 6.5% senior notes due December 15, 2002. We have classified these borrowings as long-term at March 31, 2002 based upon our ability to use our Line of Credit and/or Revolver, which are both considered long-term facilities, to refinance these borrowings. We intend to pursue other sources of long-term financing to refinance these borrowings; however, in the event other sources of long-term financing are not available, we have the intent and ability to use our Line of Credit and/or Revolver to refinance these borrowings.

We manage our debt portfolio by using interest rate derivatives to achieve a desired position of fixed and floating rate debt. At March 31, 2002 and December 31, 2001, we had interest rate swap contracts with a notional amount of approximately $1.8 billion. The significant terms of the interest rate contracts and the underlying debt instrument are identical. Accordingly, changes in fair value of these interest rate contracts are deferred and recognized as an adjustment to interest expense over the life of the interest rate contract. At March 31, 2002 and December 31, 2001, the net negative fair value of these derivatives was approximately $16 million and $2 million, respectively. In addition, approximately $41 million and $60 million is included in the senior notes and debentures classification as of March 31, 2002 and December 31, 2001, respectively, which primarily consists of the remaining unamortized accumulated adjustment of interest rate swaps terminated in 2001. Approximately $2 million is included in the tax-exempt and project bonds at both March 31, 2002 and December 31, 2001, respectively, for swaps which were terminated in 2001. For the quarters ended March 31, 2002 and 2001, interest rate contracts reduced interest expense by $20 million and $1 million, respectively.

In November 2001, we announced that we had entered into an agreement to settle the class action lawsuits filed against us in July 1999 alleging violations of the federal securities laws by payment of $457 million to the class. We expect our net cash outflow, after considering insurance, tax deductions and related settlement costs, to be approximately $230 to $240 million. The settlement will most likely be paid in the second or third quarter of 2002, with a minimal level of additional borrowing necessary to fund the settlement.

In February 2002, we announced that our Board of Directors had approved a stock buy back program. Under the program, we will buy back up to one billion dollars of our common stock each year for the foreseeable future. The purchase will be made in open market purchases or privately negotiated transactions primarily using cash flows from operations.

In March 2002, we entered into an accelerated stock repurchase master agreement to facilitate the repurchase of our shares of common stock. Pursuant to the agreement, we may from time to time enter into transactions to purchase shares of our common stock from the counterparty for a notional amount equal to the fair market value of the shares on the date that we elect to purchase. Six months from the date of purchase, we and the counterparty will enter into a settlement pursuant to which, if the weighted average daily market prices for the stock during such six month period (other than certain days during which the Company is entitled to purchase in the market) times the number of shares initially purchased is greater than the notional amount, we will pay the counterparty the difference. If the average daily market price for the valuation period times the number of shares initially purchased is less than the notional amount, the counterparty will pay us the difference. We have the option of paying our settlement amount, if any, in shares of our common stock or with cash.

We entered into our first transaction to purchase stock under the agreement in March, purchasing approximately 10.9 million shares at $27.46 per share for a total of approximately $300 million. We accounted for the initial payment as a purchase of treasury stock and have classified the future settlement with the counterparty as an equity instrument. Under the agreement, the number of shares to be issued by us, if we were required to pay the counterparty and elected to net settle in shares, is capped at ten million shares. The settlement will not occur until September 2002, and therefore, we are unable at this time to predict the number of shares, if any, we would have to issue out of our treasury were we to elect that payment option.

Based on our stock price at the end of the first quarter of 2002, we would receive approximately $8 million in cash from the counterparty to settle the contracts. However, for every one dollar of change in the average price of our common stock during the valuation period, the settlement amount would change by $10.9 million.

SPECIAL PURPOSE ENTITIES

On June 30, 2000, two limited liability companies ("LLCs") were established to purchase interests in existing leveraged lease financings at three waste-to-energy facilities that we operate under an agreement with the owner. John Hancock Life Insurance Company ("Hancock") has a 99.5% ownership in one of the LLCs. The second LLC is 99.5% collectively owned by Hancock and the CIT Group ("CIT"). We have a 0.5% interest in both LLCs. Hancock and CIT made an initial investment of approximately $167 million in the LLCs. The LLCs used these proceeds to purchase the three waste-to-energy facilities that we operate and assumed the seller's indebtedness related to these facilities. Under the LLC agreements the LLCs shall be dissolved upon the occurrence of any of the following events: (i) a written decision of all the members of the LLCs to dissolve the LLCs, (ii) December 31, 2063, (iii) the entry of a decree of judicial dissolution under the Delaware Limited Liability Company Act, or (iv) the LLCs cease to own any interest in these waste-to-energy facilities. Additionally, income, losses and cash flows are allocated to the members based on their initial capital account balances until Hancock and CIT achieve targeted returns; thereafter, the amounts will be allocated 20% to Hancock and CIT and 80% to us. We do not expect Hancock and CIT to achieve the targeted returns in 2002. We account for the underlying leases as operating leases. As of March 31, 2002, the remaining aggregate lease commitments are $394 million related to these waste-to-energy facilities.

Under the LLC agreements, if we exercise certain renewal options under the leases, we will be required to make capital contributions to the LLCs for the difference, if any, between fair market rents and the scheduled renewal rents. We are required under certain circumstances to make capital contributions to the LLCs in the amount of the difference between the stipulated loss amounts and termination values under the LLC agreements to the extent they are different from the underlying lease agreements. We believe that the occurrence of these circumstances is remote.

We are the manager of the LLCs but there are significant limitations on the powers of the manager under the LLC agreements. Accordingly, we account for our interest in the LLCs under the equity method of accounting. These investments have a carrying value of approximately $1 million at both March 31, 2002 and December 31, 2001. If we were required to consolidate the LLCs, we would record approximately $422 million in assets, and $209 million of debt as of March 31, 2002. The remaining balance that would be recorded would primarily be minority interest. There would be no material net impact to our results of operations if we consolidated the LLCs instead of accounting for them under the equity method.

SEASONALITY AND INFLATION

Our operating revenues tend to be somewhat lower in the winter months, primarily due to the lower volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to decrease during the winter months. Our first and fourth quarter results of operations typically reflect this seasonality. In addition, particularly harsh weather conditions may result in the temporary suspension of certain of our operations.

We believe that inflation has not had, and is not expected to have, any material adverse effect on the results of operations in the near future.

NEW ACCOUNTING PRONOUNCEMENTS

SFAS NO. 141 AND SFAS NO. 142

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, and Statement of Financial Accounting Standards No. 142. SFAS No. 141 requires that all business combinations be accounted for using the purchase method of accounting and prohibits the pooling-of-interests method for business combinations initiated after June 30, 2001. According to SFAS No. 142, goodwill that arose from purchases after June 30, 2001 cannot be amortized. In addition, SFAS No. 142 required the continuation of the amortization of goodwill and all intangible assets through December 31, 2001. The amortization of existing goodwill ceased on January 1, 2002. SFAS No. 142 requires a two-step impairment approach for goodwill. Companies must first determine whether goodwill is impaired and if so, they must value that impairment based on the amount by which the book value exceeds the estimated fair value. Companies have six months from the date they initially apply SFAS No. 142 to test goodwill for impairment and any impairment charge resulting from the initial application of the new accounting pronouncement must be classified as the cumulative effect of a change in accounting principle. Thereafter, goodwill must be tested for impairment annually and impairment losses must be presented in the operating section of the income statement unless they are associated with a discontinued operation. In those cases, any impairment losses will be included, net of tax, within the results of discontinued operations.

In accordance with our adoption of SFAS No. 141, we will continue to use the purchase method of accounting for our business combinations. In accordance with our adoption of SFAS No. 142, we have not amortized goodwill from any acquisitions that occurred after June 30, 2001. We have no intangible assets, other than goodwill, that have ceased being amortized upon adoption of SFAS No. 142.

Adopting SFAS No. 141 required us to write-off net negative goodwill of approximately $2 million, which was recorded as a credit to cumulative effect of change in accounting principle in the first quarter of 2002. In accordance with SFAS No. 142, goodwill is required to be tested for impairment at the reporting unit, which is defined as a company's operating segment or one level below the operating segment. For the purposes of applying SFAS No. 142, we have defined our reporting units to be our six individual NASW Groups and our NASW recycling operations that are not included in any of our NASW Groups. We incurred no impairment of goodwill upon the initial adoption of SFAS No. 142. There can be no assurance that goodwill will not be impaired at any time subsequent to the adoption of SFAS No. 142.

The following schedule reflects the three months ended March 31, 2001 adjusted net income (excluding goodwill and negative goodwill amortization) as compared to the results of operations for the three months ended March 31, 2002 (in millions, except per share amounts).

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
Reported net income	$ 138	$ 124
Add back: goodwill amortization, net of taxes	--	31
Adjusted net income	$ 138	$ 155
BASIC EARNINGS PER COMMON SHARE:		
Reported net income	$0.22	$0.20
Goodwill amortization, net of taxes	--	0.05
Adjusted net income	$0.22	$0.25
DILUTED EARNINGS PER COMMON SHARE:		
Reported net income	$0.22	$0.20
Goodwill amortization, net of taxes	--	0.05
Adjusted net income	$0.22	$0.25

Our intangible assets as of March 31, 2002 were comprised of the following (in millions):

	CUSTOMER LISTS	COVENANTS NOT-TO-COMPETE	LICENSES, PERMITS AND OTHER	TOTAL
Intangible assets	$125	$ 97	$18	$ 240
Less accumulated amortization	(65)	(53)	(6)	(124)
	$ 60	$ 44	$12	$ 116

Intangible assets are recorded at cost and amortized on a straight-line basis. Customer lists are generally amortized over five to seven years. Covenants not-to-compete are amortized over the term of the agreement, which is generally three to five years. Licenses, permits and other intangible assets are amortized over the definitive terms of the related agreement or the Company's estimate of the useful life if there are no definitive terms. The estimated intangible asset amortization expense for the five years following 2001 is as follows (in millions):

2002	$34
2003	$30
2004	$22
2005	
2006	

$13
$7

As of March 31, 2002, the amount of goodwill attributable to our WTI operations was approximately $778 million. The remaining goodwill balance of approximately $4,231 million was attributable to our other NASW operations.

SFAS NO. 143

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS No. 143"). SFAS No. 143 applies to all legally enforceable obligations associated with the retirement of tangible long-lived assets and provides the accounting and reporting requirements for such obligations. Under this Statement, the amount initially recognized as an asset retirement obligation is measured at fair value. The recognized asset retirement cost is capitalized as part of the cost of the asset and is depreciated over the useful life of the asset. We expect to adopt SFAS No. 143 beginning January 1, 2003 and to record a cumulative effect of a change in accounting principle.

SFAS No. 143 will impact our accounting for our landfill operations. Costs associated with future capping activities that occur during the operating life of a landfill, which are currently recognized on an undiscounted basis over the operating life of the landfill as airspace is consumed, will be accounted for as an asset retirement obligation under SFAS No. 143, on a discounted basis. We expect to recognize landfill retirement obligations, which relate to capping, other closure activities and post-closure, over the operating life of a landfill as landfill airspace is consumed and the obligation is incurred. These obligations will be initially measured at estimated fair value. Fair value will be measured on a present value basis, using a credit-adjusted, risk-free rate, which will be a higher rate than the risk-free rate the Company currently utilizes for discounting its final closure and post-closure obligations. Interest will be accreted on landfill retirement obligations using the effective interest method. Landfill retirement costs, which will be capitalized as part of the landfill asset, will be amortized using our existing landfill accounting practices. We have begun to address which of our other assets could be affected by the provisions of SFAS No. 143. Though progress is being made, our management has not yet determined the pro forma, cumulative or future effects of the adoption of SFAS No. 143 on its results of operations or financial position. Management believes that adoption of SFAS No. 143 will have no effect on our cash flow.

SFAS NO. 144

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Asset ("SFAS No. 144"), which supersedes Statement of Financial Accounting Standards No. 121. SFAS No. 144 establishes a single accounting method for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and extends the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 also requires that an impairment loss be recognized for assets held-for-use when the carrying amount of an asset (group) is not recoverable. The carrying amount of an asset (group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (group), excluding interest charges. Estimates of future cash flows used to test the recoverability of a long-lived asset (group) must incorporate the entity's own assumptions about its use of the asset (group) and must factor in all available evidence. We adopted SFAS No. 144 on January 1, 2002. Upon initial application of this Statement, certain previously held-for-sale operations did not meet SFAS No. 144 criteria to be held-for-sale because their anticipated sale is in 2003. However, under the transition provisions of SFAS No. 144, the Company has until December 31, 2002 to either sell these assets or meet the new held-for-sale criteria to avoid reclassifying the assets to held-for-use.

SFAS NO. 145

In April 2002, the Financial Accounting Standards Board issued SFAS No. 145, Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS No. 145"). SFAS No. 145 requires that gains and losses from extinguishment of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board Opinion No. 30 ("Opinion No. 30"). Applying the provisions of Opinion No. 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual and infrequent that meet criteria for classification as an extraordinary item. SFAS No. 145 is effective for the Company beginning January 1, 2003, but we may adopt the provisions of SFAS No. 145 prior to this date. Upon the adoption of SFAS No. 145, we will reclassify our prior period statements of operations to conform to the presentation required by SFAS No. 145. Under SFAS No. 145, the Company will report gains and losses on the extinguishment of debt in pre-tax earnings.

PART II

ITEM 1. LEGAL PROCEEDINGS.

Information regarding our legal proceedings can be found under the "Litigation" section of Note 7, Commitments and Contingencies, to the consolidated financial statements.

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

None.

ITEM 5. OTHER INFORMATION.

None.

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

(a) Exhibits:

EXHIBIT NUMBER*	DESCRIPTION
10.1	-- Employment agreement dated May 6, 2002 between Waste Management, Inc. and David Steiner.
12	-- Computation of Ratio of Earnings to Fixed Charges.

- ---------------

* 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:

During the first quarter of 2002, the Company filed a Current Report on Form 8-K dated March 22, 2002 to announce its selection of Ernst & Young LLP as its independent auditor for 2002, replacing Arthur Andersen LLP.

SIGNATURES

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

WASTE MANAGEMENT, INC.

By: /s/ WILLIAM L. TRUBECK

William L. Trubeck
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

WASTE MANAGEMENT, INC.

By: /s/ ROBERT G. SIMPSON

Robert G. Simpson
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: May 8, 2002

INDEX TO EXHIBITS

EXHIBIT NUMBER*	DESCRIPTION
10.1	-- Employment agreement dated May 6, 2002 between Waste Management, Inc. and David Steiner.
12	-- Computation of Ratio of Earnings to Fixed Charges.

- ---------------

* 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.

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into on this 6th day of May, 2002 by and between Waste Management, Inc. (the "Company"), and David Steiner (the "Executive").

1. EMPLOYMENT AND TERMINATION OF PREVIOUS EMPLOYMENT AGREEMENT.

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

The Company and Executive hereby agree that the certain Employment Agreement between the two parties dated on or about November 3, 2000 is terminated, and any and all obligations of the Company and Executive created thereunder, whether express or implied, shall be null and void and of no further force or effect, and that the only continuing rights, obligations, and duties between the Company and Executive shall be those expressly set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall commence on July 12, 2001 ("Employment Date"), and shall continue for a period of two (2) years thereafter, and shall automatically be renewed for successive one (1) year periods thereafter, unless Executive's employment is terminated in accordance with Section 5 below. The period during which Executive is employed hereunder shall be referred to as the "Employment Period."

3. DUTIES AND RESPONSIBILITIES.

(a) Executive shall serve as the Company's Senior Vice-President, General Counsel, and Corporate Secretary. In such capacity, Executive shall perform such duties and have the power, authority, and functions commensurate with such position in similarly-sized public companies, and have and possess such other authority and functions consistent with such position as may be assigned to Executive from time to time by the Chief Executive Officer, President, Chief Administrative Officer, or the Board of Directors.

(b) Executive shall devote substantially all of his working time, attention and energies to the business of the Company, and its affiliated entities. Executive may make and manage his personal investments (provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement), be involved in charitable and professional activities, and, with the prior written consent of the Board of Directors, serve on boards of other for profit entities, provided such activities do not materially interfere with the performance of his duties hereunder.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Period, the Company shall pay Executive a base salary at the annual rate of Three Hundred Twenty Thousand and 00/100ths Dollars

($320,000.00) per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for its executive officers. Once increased, Base Salary shall not be reduced.

(b) ANNUAL BONUS. During the Employment Period, Executive will be entitled to participate in an annual incentive compensation plan of the Company. The Executive's target annual bonus will be seventy-five percent (75%) of his Base Salary in effect for such year (the "Target Bonus"), and his actual annual bonus may range from 0% to 150% (two times Target Bonus), and will be determined based upon (i) the achievement of certain corporate performance goals, as may be established and approved by from time to time by the Compensation Committee of the Board of Directors, and be (ii) the achievement of personal performance goals as may be established by the Company's Chief Executive Officer.

(c) STOCK OPTIONS. Effective the Employment Date, Executive shall be granted a stock option for Seventy Thousand (70,000) shares of common stock of Waste Management, Inc., with one-fourth (1/4) of such options vesting on each of the next four (4) anniversaries of the Employment Date, subject to the approval of the Compensation Committee of the Board of Directors. The exercise price shall be the fair market value on the date of grant of the option. The award, vesting, and exercise of all options shall be subject to and governed by the provisions of the applicable Waste Management, Inc. Stock Incentive Plan. Executive shall be eligible to considered for additional stock option grants under the Company's annual stock option award program as administered by, and at the discretion of, the Compensation Committee of the Board of Directors.

(d) BENEFIT PLANS AND VACATION. Subject to the terms of such plans, Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, salary deferral plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, or any other health, welfare or fringe benefit plan, generally made available by the Company to similarly-situated executive employees. The Company shall not be obligated to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan, or perquisite, so long as such changes are similarly applicable to similarly-situated employees generally.

During the Employment Period, Executive shall be entitled to vacation each year in accordance with the Company's policies in effect from time to time, but in no event less than four (4) weeks paid vacation per calendar year.

(e) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to its executive officers.

(f) OTHER PERQUISITES. Executive shall be entitled to all perquisites provided to Senior Vice Presidents of the Company as approved by the Compensation Committee of the Board of Directors, and as they may exist from time to time, including the following:

1. Automobile allowance in the amount of One Thousand Dollars ($1,000.00) per month;

2. Financial planning services at actual cost, and not to exceed Ten Thousand Dollars ($10,000.00) annually;

3. Club dues and assessments at actual cost, and not to exceed Twelve Thousand Dollars ($12,000.00) annually; and

4. An annual physical examination on a program designated by the Company.

5. TERMINATION OF EMPLOYMENT.

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

(a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.

(b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled." For purposes of this Agreement, Executive shall be considered "Totally Disabled" if Executive has been physically or mentally incapacitated so as to render Executive incapable of performing the essential functions of Executive's position with or without reasonable accommodation. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.

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

(i) For purposes of this Agreement, the term "Cause" means any of the following: (A) willful or deliberate and continual refusal to perform Executive's employment duties reasonably requested by the Company after receipt of written notice to Executive of such failure to perform, specifying such failure (other than as a result of Executive's sickness, illness or injury) and Executive fails to cure such nonperformance within ten (10) days of receipt of said written notice; (B) breach of any statutory or common law duty of loyalty to the Company; (C) has been convicted of, or pleaded nolo contendre to, any felony; (D) willfully or intentionally caused material injury to the Company, its property, or its assets; (E) disclosed to unauthorized person(s) proprietary or confidential information of the Company; or (F) breach of any of the covenants set forth in Section 8 hereof.

(ii) For purposes of this Agreement, the phrase "Notice of Termination for Cause" shall mean a written notice that shall indicate the specific termination provision in Section 5(c)(i) relied upon, and shall set forth in reasonable detail the facts and circumstances which provide the basis for termination for Cause. Further, a Notification of Termination for Cause shall be required to include a copy of a resolution duly adopted by at least two-thirds (2/3) of the entire membership of the Board of Directors at a meeting of the Board which was called for the purpose of considering such employment termination, and at which Executive and his representative had the right to attend and address the Board, finding that, in the good faith belief of the Board, Executive engaged in conduct set forth in Section 5(c)(i) herein and specifying the particulars thereof in reasonable detail. The date of termination for Cause shall be the date indicated in the Notice of Termination for Cause. Any purported termination for Cause which is held by an arbitrator not to have been based on the grounds set forth in this Agreement or not to have followed the procedures set forth in this Agreement shall be deemed a termination by the Company without Cause.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate his employment hereunder with or without Good Reason at any time upon written notice to the Company.

(i) A termination for "Good Reason" means a resignation of employment by Executive by written notice ("Notice of Termination for Good Reason") given to the Company's Chief Executive Officer within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are substantially corrected prior to the date of termination specified in the Notice of Termination for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence or failure to cause the occurrence, as the case may be, without Executive's express written consent, of any of the following circumstances: (A) the Company substantially changes Executive's core duties or removes Executive's responsibility for those core duties, so as to effectively cause Executive to no longer be performing the duties of his position (except in each case in connection with the termination of Executive's employment for Cause or Total Disability or as a result of Executive's death, or temporarily as a result of Executive's illness or other absence); provided that if the Company becomes a fifty percent or more subsidiary of any other entity, Executive shall be deemed to have a substantial change in the core duties of his position unless he is also Senior Vice-President of the ultimate parent entity; (B) removal or the non-reelection of the Executive from the officer position with the Company specified herein, or removal of the Executive from any of his then officer positions; (C) any material breach by the Company of any provision of this Agreement, including without limitation Section 10 hereof; or (D) failure of any successor to the Company (whether direct or indirect and whether by merger, acquisition, consolidation or otherwise) to assume in a writing delivered to Executive upon the assignee becoming such, the obligations of the Company hereunder; or (E) the reassignment of Executive to a geographic location more than fifty (50) miles from his current business office location.

(ii) A "Notice of Termination for Good Reason" shall mean a notice that shall indicate the specific termination provision relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for Termination for Good Reason. The failure by Executive to set forth in the Notice of Termination for Good Reason any facts or circumstances which contribute to the showing of Good Reason shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing his rights hereunder. The Notice of Termination for Good Reason shall provide for a date of termination not less than ten (10) nor more than sixty (60) days after the date such Notice of Termination for Good Reason is given, provided that in the case of the events set forth in Sections 5(d)(i)(A) or (B), the date may be five (5) business days after the giving of such notice.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time upon written notice to Executive.

(f) EFFECT OF TERMINATION. Upon any termination of employment for any reason, Executive shall immediately resign from all Board memberships and other positions with the Company or any of its subsidiaries held by him at such time.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

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

(a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:

(i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination, any earned but unpaid bonuses for any prior period, and, to the extent not otherwise paid, a pro-rata bonus or incentive compensation payment to the extent payments are awarded to senior executives of the Company and paid at the same time as senior executives are paid.

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

(iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment for two additional years. Said payments will be paid to Executive's estate or beneficiary at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment.

(iv) As of the date of termination by reason of Executive's death, stock options previously awarded to Executive as of the date of death shall be fully vested, and Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such previously-awarded options, provided that in no event will any option be exercisable beyond its term. No stock options contemplated by this Agreement, but not yet awarded to Executive as of the time of his death, shall be granted.

(b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:

(i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination, and any earned but unpaid bonuses for any prior period. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to senior executives of the Company for the year in which Executive is terminated, and to the extent not otherwise paid to the Executive.

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

(iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment for two years following termination of employment, less any payments under any long-term disability plan or arrangement paid for by the Company. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.

(iv) As of the date of termination by reason of Executive's Total Disability, stock options previously awarded to Executive as of the date of termination shall be fully vested, and Executive or his legal guardian shall have up to one (1) year from the date of death to exercise all such previously-awarded options, provided that in no event will any option be exercisable beyond its term. No stock options contemplated by this Agreement, but not yet awarded to Executive as of the time of his employment termination, shall be granted.

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

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

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

(iii) All options, whether vested or not vested prior to the date of such termination of employment, shall be automatically cancelled on the date of employment termination. However, it is expressly understood and agreed that Executive would have no obligation to repay or otherwise reimburse the Company for funds received as a result of Executive's having exercised any previously-vested stock options prior to his employment termination.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive voluntarily terminates employment other than for Good Reason, the Company shall pay the following amounts to Executive:

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

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

(iii) Any stock options that have not vested prior to the date of such termination of employment shall be automatically cancelled as of that date, and Executive shall have ninety (90) days following the date of termination of employment to exercise any previously vested options; provided that in no event will any option be exercisable beyond its term. No stock options contemplated by this Agreement, but not yet awarded to Executive as of the time of his employment termination, shall be granted.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE; TERMINATION BY EXECUTIVE FOR GOOD REASON. In the event that Executive's employment is terminated by the Company for reasons other than death, Total Disability or Cause, or Executive terminates his employment for Good Reason, the Company shall pay the following amounts to Executive:

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

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

(iii) An amount equal to two times the sum of Executive's Base Salary plus his Target Annual Bonus (in each case as then in effect), of which one-half shall be paid in a lump sum within ten (10) days after such termination and one-half shall be paid during the two (2) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period.

(iv) The Company at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, disability, and other benefit plans, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) two years after the date of termination; (B) Executive's death (provided that benefits provided to Executive's spouse and dependents shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes eligible to participate in a comparable benefit provided by a subsequent employer. In the event that Executive's continued participation in any such Company plan, program, or arrangement is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period on a basis which provides Executive with no additional after tax cost.

(v) Executive shall be eligible for a bonus or incentive compensation payment, at the same time, on the same basis, and to the same extent payments are made to senior executives of the Company, pro-rated for the fiscal year in which the Executive is terminated.

(vi) Executive shall continue to vest in all stock option awards or restricted stock awards over the two (2) year period commencing on the date of such termination. Executive shall have two (2) years and six (6) months after the date of termination to exercise all options to the extent then vested, provided that in no event may any option be exercisable beyond its term.

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

(g) NO MITIGATION; NO SET-OFF. In the event of any termination of employment hereunder, Executive shall be under no obligation to seek other employment, and there shall be no offset against any amounts due Executive under this Agreement on account of any remuneration attributable to any subsequent employment that Executive may obtain. The amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others, except upon obtaining by the Company of a final non-appealable judgment against Executive.

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

(a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs and Executive terminates his employment for Good Reason thereafter, or the Company terminates Executive's employment other than for Cause, or such termination for Good Reason or without Cause occurs in contemplation of such Change in Control (any termination within six (6) months prior to such Change in Control being presumed to be in contemplation unless rebutted by clear and demonstrable evidence to the contrary), the Company shall pay the following amounts to Executive:

(i) The payments and benefits provided for in Section 6(e), except that (A) the amount and period with respect to which severance is calculated pursuant to Section 6(e)(iii) will be three (3) years and the amount shall be paid in a lump-sum and (B) the benefit continuation period in Section 6(e)(iv) shall be for three (3) years.

(ii) In lieu of Section 6(e)(v), Executive will be 100% vested in all benefits, awards, and grants (including stock option grants and stock awards, all of such stock options exercisable for three (3) years following Termination, provided that in no event will any option be exercisable beyond its term) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. Executive shall also receive a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Executive's termination. Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

(b) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) In the event that the Executive shall become entitled to payments and/or benefits provided by this Agreement or any other amounts in the "nature of compensation" (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Code or any person affiliated with the Company or such person) as a result of such change in ownership or effective control (collectively the "Company Payments"), and such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (and any similar tax that may hereafter be imposed by any taxing authority) the Company shall pay to the Executive at the time specified in subsection (iv) below an additional amount (the "Gross-up Payment") such that the net amount retained by the Executive, after deduction of any Excise Tax on the Company Payments and any U.S. federal, state, and for local income or payroll tax upon the Gross-up Payment provided for by this Section 7(b), but before deduction for any U.S. federal, state, and local income or payroll tax on the Company Payments, shall be equal to the Company Payments.

(ii) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (x) the Total Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Code Section 280G[b][3] of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Code Section 280G[b][2]) or tax counsel selected by such accountants (the "Accountants") such Total Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (y) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(iii) For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed to pay U.S. federal income taxes at the highest marginal rate of U.S. federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in U.S. federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and U.S. federal, state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a U.S. federal, state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any U.S. federal, state and local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed the interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expense thereof) if the Executive's claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountant or the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(iv) The Gross-up Payment or portion thereof provided for in subsection (iii) above shall be paid not later than the thirtieth (30th) day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined in good faith by the Accountant, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to subsection (iii) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(v) In the event of any controversy with the Internal Revenue Service (or other taxing authority) with regard to the Excise Tax, the Executive shall permit the Company to control issues related to the Excise Tax (at its expense), provided that such issues do not potentially materially adversely affect the Executive, but the Executive shall control any other issues. In the event the issues are interrelated, the Executive and the Company shall in good faith cooperate so as not to jeopardize resolution of either issue, but if the parties cannot agree the Executive shall make the final determination with regard to the issues. In the event of any conference with any taxing authority as to the Excise Tax or associated income taxes, the Executive shall permit the representative of the Company to accompany the Executive, and the Executive and the Executive's representative shall cooperate with the Company and its representative.

(vi) The Company shall be responsible for all charges of the Accountant.

(vii) The Company and the Executive shall promptly deliver to each other copies of any written communications, and summaries of any verbal communications, with any taxing authority regarding the Excise Tax covered by this Section 7(b).

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

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates) representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding voting securities;

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Employment Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of the at least two-thirds (2/3rds) of the directors then still in office who either were directors on the Employment Date or whose appointment, election or nomination for election was previously so approved or recommended;

(iii) there is a consummated merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person, directly or indirectly, acquired twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such person any securities acquired directly from the Company or its Affiliates); or

(iv) the stock holders of the Company approve a plan of complete liquidation of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

For purposes of this Section 7(c), the following terms shall have the following meanings:

(i) "Affiliate" shall mean an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act");

(ii) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(iii) "Person" shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (1) the Company, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (3) an underwriter temporarily holding securities pursuant to an offering of such securities or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of Common Stock of the Company.

8. COVENANTS

(a) COMPANY PROPERTY. All written materials, records, data, and other documents prepared or possessed by Executive during Executive's employment with the Company are the Company's property. All information, ideas, concepts, improvements, discoveries, and inventions that are conceived, made, developed, or acquired by Executive individually or in conjunction with others during Executive's employment (whether during business hours and whether on the Company's premises or otherwise) which relate to the Company's business, products, or services are the Company's sole and exclusive property. All memoranda, notes, records, files, correspondence, drawings, manuals, models, specifications, computer programs, maps, and all other documents, data, or materials of any type embodying such information, ideas, concepts, improvements, discoveries, and inventions are the Company's property. At the termination of Executive's employment with the Company for any reason, Executive shall return all of the Company's documents, data, or other Company property to the Company.

(b) CONFIDENTIAL INFORMATION; NON-DISCLOSURE. Executive acknowledges that the business of the Company is highly competitive and that the Company has agreed to provide and immediately will provide Executive with access to "Confidential Information" relating to the business of the Company and its affiliates.

For purposes of this Agreement, "Confidential Information" means and includes the Company's confidential and/or proprietary information and/or trade secrets that have been developed or used and/or will be developed and that cannot be obtained readily by third parties from outside sources. Confidential Information includes, by way of example and without limitation, the following information regarding customers, employees, contractors, and the industry not generally known to the public; strategies, methods, books, records, and documents; technical information concerning products, equipment, services, and processes; procurement procedures and pricing techniques; the names of and other information concerning customers, investors, and business affiliates (such as contact name, service provided, pricing for that customer, type and amount of services used, credit and financial data, and/or other information relating to the Company's relationship with that customer); pricing strategies and price curves; positions, plans, and strategies for expansion or acquisitions; budgets; customer lists; research; weather data; financial and sales data; trading methodologies and terms; evaluations, opinions, and interpretations of information and data; marketing and merchandising techniques; prospective customers' names and marks; grids and maps; electronic databases; models; specifications; computer programs; internal business records; contracts benefiting or obligating the Company; bids or proposals submitted to any third party; technologies and methods; training methods and training processes; organizational structure; personnel information, including salaries of personnel; payment amounts or rates paid to consultants or other service providers; and other such confidential or proprietary information. Information need not qualify as a trade secret to be protected as Confidential Information under this Agreement, and the authorized and controlled disclosure of Confidential Information to authorized parties by Company in the pursuit of its business will not cause the information to lose its protected status under this Agreement. Executive acknowledges that this Confidential Information constitutes a valuable, special, and unique asset used by the Company or its affiliates in their businesses to obtain a competitive advantage over their competitors. Executive further acknowledges that protection of such Confidential Information against unauthorized disclosure and use is of critical importance to the Company and its affiliates in maintaining their competitive position.

Executive also will have access to, or knowledge of, Confidential Information of third parties, such as actual and potential customers, suppliers, partners, joint venturers, investors, financing sources, and the like, of the Company and its affiliates.

The Company also agrees to provide Executive with one or more of the following: access to Confidential Information; specialized training regarding the Company's methodologies and business strategies, and/or support in the development of goodwill such as introductions, information and reimbursement of customer development expenses consistent with Company policy. The foregoing is not contingent on continued employment, but is contingent upon Executive's use of the Confidential Information access, specialized training, and goodwill support provided by Company for the exclusive benefit of the Company and upon Executive's full compliance with the restrictions on Executive's conduct provided for in this Agreement.

In addition to the requirements set forth in Section 5(c)(i), Executive agrees that Executive will not after Executive's employment with the Company, make any unauthorized disclosure of any then Confidential Information or specialized training of the Company or its affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. Executive also agrees to preserve and protect the confidentiality of third party Confidential Information to the same extent, and on the same basis, as the Company's Confidential Information.

(c) UNFAIR COMPETITION RESTRICTIONS. Upon Executive's Employment Date, the Company agrees to and shall provide Executive with immediate access to Confidential Information. Ancillary to the rights provided to Executive following employment termination, the Company's provision of Confidential Information, specialized training, and/or goodwill support to Executive, and Executive's agreements, regarding the use of same, and in order to protect the value of the above-referenced stock options, training, goodwill support and/or the Confidential Information described above, the Company and Executive agree to the following provisions against unfair competition. Executive agrees that for a period of two (2) years following the termination of employment for any reason ("Restricted Term"), Executive will not, directly or indirectly, for Executive or for others, anywhere in the United States (including all parishes in Louisiana) (the "Restricted Area") do the following, unless expressly authorized to do so in writing by the Chief Executive Officer of the Company:

> Engage in, or assist any person, entity, or business engaged in, the selling or providing of products or services that would displace the products or services that (i) the Company is currently in the business of providing and was in the business of providing, or was planning to be in the business of providing, at the time Executive was employed with the Company, and (ii) that Executive had involvement in or received Confidential Information about in the course of employment; the foregoing is expressly understood to include, without limitation, the business of the collection, transfer, recycling and resource recovery, or disposal of solid waste, including the operation of waste-to-energy facilities.

It is further agreed that during the Restricted Term, Executive cannot engage in any of the enumerated prohibited activities in the Restricted Area by means of telephone, telecommunications, satellite communications, correspondence, or other contact from outside the Restricted Area. Executive further understands that the foregoing restrictions may limit his ability to engage in certain businesses during the Restricted Term, but acknowledges that these restrictions are necessary to protect the Confidential Information the Company has provided to Executive.

A failure to comply with the foregoing restrictions will create a presumption that Executive is engaging in unfair competition. Executive agrees that this Section defining unfair competition with the Company does not prevent Executive from using and offering the skills that Executive possessed prior to receiving access to Confidential Information, confidential training, and knowledge from the Company. This Agreement creates an advance approval process, and nothing herein is intended, or will be construed as, a general restriction against the pursuit of lawful employment in violation of any controlling state or federal laws. Executive shall be permitted to engage in activities that would otherwise be prohibited by this covenant if such activities are determined in the sole discretion of the Chief Executive Officer of the Company to be no material threat to the legitimate business interests of the Company.

(d) NON-SOLICITATION OF CUSTOMERS. For a period of two (2) years following the termination of employment for any reason, Executive will not call on, service, or solicit competing business from customers of the Company or its affiliates whom Executive, within the previous twelve (12) months, (i) had or made contact with, or (ii) had access to information and files about, or induce or encourage any such customer or other source of ongoing business to stop doing business with Company.

(e) NON-SOLICITATION OF EMPLOYEES. During Executive's employment, and for a period of two (2) years following the termination of employment for any reason, Executive will not, either directly or indirectly, call on, solicit, encourage, or induce any other employee or officer of the Company or its affiliates whom Executive had contact with, knowledge of, or association within the course of employment with the Company to terminate his or her employment, and will not assist any other person or entity in such a solicitation.

(f) NON-DISPARAGEMENT. Executive covenants and agrees that Executive shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company.

9. ENFORCEMENT OF COVENANTS.

(a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive for Cause pursuant to Section 5(c)(i), which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.

(b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach or anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to seek the following particular forms of relief, in addition to remedies otherwise available to it at law or equity: (A) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (B) recovery of all reasonable sums as determined by a court of competent jurisdiction expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.

(c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate but ancillary covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this

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

10. INDEMNIFICATION.

The Company shall indemnify and hold harmless Executive to the fullest extent permitted by Delaware law for any action or inaction of Executive while serving as an officer and director of the Company or, at the Company's request, as an officer or director of any other entity or as a fiduciary of any benefit plan. This provision includes the obligation and undertaking of the Executive to reimburse the Company for any fees advanced by the Company on behalf of the Executive should it later be determined that Executive was not entitled to have such fees advanced by the Company under Delaware law. The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Period in the same amount and to the same extent as the Company covers its other officers and directors.

11. DISPUTES AND PAYMENT OF ATTORNEY'S FEES.

If at any time during the term of this Agreement or afterwards there should arise any dispute as to the validity, interpretation or application of any term or condition of this Agreement, the Company agrees, upon written demand by Executive (and Executive shall be entitled upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling the Company) to promptly provide sums sufficient to pay on a current basis (either directly or by reimbursing Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to at least one material claim or issue in such dispute or litigation. The provisions of this Section 11, without implication as to any other section hereof, shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

12. WITHHOLDING OF TAXES.

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

13. SOURCE OF PAYMENTS.

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

14. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive (but any payments due hereunder which would be payable at a time after Executive's death shall be paid to Executive's designated beneficiary or, if none, his estate) and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer in a writing delivered to Executive in a form reasonably acceptable to Executive (the provisions of this sentence also being applicable to any successive such transaction).

15. ENTIRE AGREEMENT; AMENDMENT.

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

16. GOVERNING LAW.

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

17. REQUIREMENT OF TIMELY PAYMENTS.

If any amounts which are required, or determined to be paid or payable, or reimbursed or reimbursable, to Executive under this Agreement (or any other plan, agreement, policy or arrangement with the Company) are not so paid promptly at the times provided herein or therein, such amounts shall accrue interest, compounded daily, at an 8% annual percentage rate, from the date such amounts were required or determined to have been paid or payable, reimbursed or reimbursable to Executive, until such amounts and any interest accrued thereon are finally and fully paid, provided, however, that in no event shall the amount of interest contracted for, charged or received hereunder, exceed the maximum non-usurious amount of interest allowed by applicable law.

18. NOTICES.

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

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

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

19. MISCELLANEOUS.

(a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

(c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

(d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.

(e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, this Agreement is EXECUTED and EFFECTIVE as of the day set forth above.

DAVID STEINER
("Executive")

/s/ David Steiner

David Steiner

(Address)

WASTE MANAGEMENT, INC.

(The "Company")

By: /s/ A. Maurice Myers

A. Maurice Myers
President and Chief Executive Officer

EXHIBIT 12

WASTE MANAGEMENT, INC.

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

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
Income before income taxes, extraordinary items, cumulative effect of changes in accounting principle and minority interests	$ 222	$ 213
Fixed charges deducted from income:		
Interest expense	116	154
Implicit interest in rents	14	17
	130	171
Earnings available for fixed charges	$ 352	$ 384
Interest expense	$ 116	$ 154
Capitalized interest	3	5
Implicit interest in rents	14	17
Total fixed charges	$ 133	$ 176
Ratio of earnings to fixed charges	2.6	2.2