SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND 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 STREET, SUITE 4000 HOUSTON, TEXAS (Address of principal executive offices)	77002 (Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 par value	New York Stock Exchange
4% Convertible Subordinated Debentures due 2002	

Securities registered pursuant to Section 12(g) of the Act:
5.75% Convertible Subordinated Notes due 2005

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 15, 2000, was approximately $8,186,801,350. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange. (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

The number of shares of Common Stock, $.01 par value, of the registrant outstanding at March 15, 2000, was 619,941,387 (excluding 7,892,612 shares held in the Waste Management, Inc. Employee Stock Benefit Trust and treasury shares of 73,709).

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	INCORPORATED AS TO
Proxy Statement for the 2000 Annual Meeting of Stockholders	Part III

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS.

GENERAL

Waste Management, Inc. ("Waste Management" or the "Company") is one of the largest publicly-owned companies providing integrated waste management services in North America and internationally. In North America, the Company provides solid waste management services throughout the United States and Puerto Rico, as well as in Canada and Mexico, including collection, transfer, recycling and resource recovery services, and disposal services. In addition, the Company is a leading developer, operator and owner of waste-to-energy facilities in the United States. The Company also engages in hazardous waste management services throughout North America, as well as low-level and other radioactive waste services.

Internationally, the Company operates throughout Europe, the Pacific Rim and in South America. Included in the Company's international operations is the collection and transportation of solid, hazardous and medical wastes and recyclable materials and the treatment and disposal of recyclable materials. The Company also operates solid and hazardous waste landfills, municipal and hazardous waste incinerators, water and waste water treatment facilities, hazardous waste treatment facilities, waste-fuel powered independent power facilities, and constructs treatment or disposal facilities for third parties internationally.

The Company's diversified customer base for its North American solid waste ("NASW") operations was approximately 27 million customers as of December 31, 1999. This customer base includes commercial, industrial, municipal and residential customers, other waste management companies, governmental entities and independent power markets, with no single customer accounting for more than 5% of the Company's operating revenues during 1999. The Company employed approximately 75,000 people as of December 31, 1999 of which, approximately 55,000 related to its NASW operations.

In August 1999, the Company's Board of Directors adopted a strategic plan intended to enhance value for its shareholders, customers, and employees. The plan's major elements are to:

- Dispose of the Company's non-strategic and under-performing assets, including the Company's international assets, its non-core assets and up to 10% of its NASW operations.

- Maintain or improve the Company's long-term investment grade characteristics while using disposition proceeds for debt repayment, repurchases of shares and selected tuck-in acquisitions.

- Bring more discipline and accountability to the enterprise while continuing the Company's decentralized business model, which puts authority close to the customer.

- Restore a disciplined capital allocation philosophy that focuses on profits as opposed to growth.

- Give employees the tools they need to do their jobs, including updated and more efficient information systems.

As part of the strategic plan, the Company announced in January 2000 that one of its subsidiaries reached an agreement to sell its waste services operations in Finland to Lassila & Tikanoja plc for approximately $100 million. The transaction is subject to the approval of the Finnish Competition Authority. Additionally, in February 2000, the Company announced that one of its subsidiaries intends to sell the 60.5% interest in Waste Management New Zealand Limited that it owns. The sale is to be by way of a public and institutional offering in New Zealand and an institutional offering in selected overseas markets. The shares will not be or have not been registered under the United States Securities Act of 1933, as amended, and may not be offered and sold in the United States without registration thereof. Also, in March 2000, the Company announced that one of its subsidiaries has reached an agreement to sell its waste services operations in The Netherlands to Shanks Group plc for approximately $328 million. The sale is subject to the Shanks Group's raising capital and obtaining financing. The Company expects each of these transactions to be completed in the second quarter of 2000. See "Business -- WM International."

Additionally, in March 2000, the Company announced that one of its subsidiaries reached an agreement to sell its nuclear services business to GTS Duratek, Inc. for up to $65 million in cash, consisting of $55 million at closing and up to $10 million in additional cash consideration upon the satisfaction of certain post-closing conditions. The sale, which is subject to regulatory approvals and other customary conditions, is expected to occur in the second quarter of 2000.

The Company's operations are subject to extensive governmental regulation and legislative initiative, such as environmental regulation, mandatory recycling laws, preclusion of certain waste from landfills and restrictions on the flow of solid waste. Due to public awareness and influence regarding waste and the environment, and uncertainty with respect to the enactment and enforcement of future laws, the Company can not always accurately project the impact any future regulation or legislative initiatives may have on its operations. See "-- Regulation" and "Legal Proceedings" for additional information.

On July 16, 1998, the Company, then known as USA Waste Services, Inc., completed a merger with Waste Management Holdings, Inc. ("WM Holdings") (the "WM Holdings Merger"). At the effective time of the WM Holdings Merger, the Company changed its name to "Waste Management, Inc."

The terms "Waste Management" and the "Company" refer to Waste Management, Inc., a Delaware corporation incorporated on April 28, 1995, and include its predecessors, subsidiaries, and affiliates, unless the context requires otherwise. Waste Management's executive offices are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002, and its telephone number is (713) 512-6200. The Company's common stock is listed on the New York Stock Exchange under the trading symbol "WMI."

OPERATIONS

General

The following table reflects the Company's operating revenues for each of the three years in the period ended December 31, 1999 for each of the Company's principal lines of business, which are as follows: (i) the Company's NASW operations, which include integrated waste management services consisting of collection, transfer, disposal (solid waste landfill, hazardous waste landfill and waste-to-energy facilities), recycling, and other services in the United States and Puerto Rico, Canada and Mexico, (ii) the Company's operations outside of North America ("WM International") and (iii) the Company's hazardous waste management, waste-to-energy facilities and other non-solid waste services ("non-solid waste"). Certain reclassifications have been made to prior year amounts in the financial statements in order to conform to the current year presentation. Additional information regarding the results of operations for the Company's business lines is included in Note 14 to the Company's financial statements included elsewhere herein (in millions).

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
NASW:			
Collection	$ 7,553.6	$ 6,963.6	$ 6,071.2
Disposal	3,266.9	3,169.4	2,811.9
Transfer	1,195.0	1,054.3	814.5
Recycling and other	658.8	640.6	720.0
Intercompany	(1,985.2)	(1,685.1)	(1,172.7)
	10,689.1	10,142.8	9,244.9
WM International	1,650.8	1,533.6	1,790.0
Non-solid waste	787.0	949.4	937.6
Operating revenues	$13,126.9	$12,625.8	$11,972.5

North American Solid Waste

Management of the Company's NASW operations is primarily achieved through an alignment that currently includes six geographic areas. Each area is directed by a senior Company officer who is responsible

for oversight of the area's sales and marketing, administration and finance, operations, and maintenance functions and who typically has staff that work interactively with the corporate office to provide regulatory compliance and reporting, legal, engineering, internal and external development, and strategic planning services. Areas are organized into regions, each of which is managed by a Company vice-president. Regions are further organized into divisions and districts which are led by local managers. Geographically, an area encompasses several states or provinces and may have up to nine regions, each of which is responsible for the oversight of several divisions and districts. The division or district manager is responsible for the day-to-day oversight of that local operation, with direct responsibility for customer satisfaction, employee motivation, labor and equipment productivity, internal growth, financial budgets, and profit and loss activity.

Collection. The Company provides different types of solid waste collection services depending on the customer serviced. Commercial and industrial collection services are generally performed under one to five-year service agreements, and fees are determined by such factors as collection frequency, type of collection equipment furnished by the Company, type and volume or weight of the waste collected, the distance to the disposal facility, labor cost, and cost of disposal. Most residential solid waste collection services are performed under contracts with, or franchises granted by, municipalities or regional authorities that have granted the Company exclusive rights to service all or a portion of the homes in their respective jurisdictions. Such contracts or franchises usually range in duration from one to five years, however, in certain cases, they have significantly longer terms. Residential collection fees are either paid by the municipalities from their tax revenues or service charges, or are paid directly by the residents receiving the service.

As part of its services, the Company provides steel containers to most of its commercial and industrial customers to store solid waste. These containers, ranging in size from one to 45 cubic yards, are designed to be lifted mechanically and either emptied into a collection vehicle's compaction hopper or directly into a disposal site in the case of industrial customers. The use of containers enables the Company to service most of its commercial and industrial customers with collection vehicles operated by a single employee.

The Company often obtains waste collection accounts through acquisitions. Once a collection operation is acquired, the Company implements programs designed to improve equipment utilization, employee productivity, operating efficiencies, and overall profitability. The Company also solicits commercial and industrial customers in areas surrounding acquired residential collection markets as a means of further improving operating efficiencies and increasing solid waste collection volumes.

The cost of transporting solid waste to a disposal location effectively constrains where the Company chooses to operate its businesses. In addition, the Company believes that it is generally preferable for its collection operations to utilize disposal facilities owned or operated by affiliated parties so that access can be assured on reasonable terms. In the remaining areas, waste is collected and delivered to a municipal, county or privately-owned unaffiliated landfill or transfer station.

Disposal. Landfills are the primary depository for solid waste. A solid waste landfill site must have geological and hydrological properties and design features which limit the possibility of water pollution, directly or by leaching. Solid waste landfill operations, which include carefully planned excavation, construction of liners and final caps, continuous spreading, compacting and covering of solid waste, are designed to maintain sanitary conditions, insure optimum utilization of the airspace and prepare the site for ultimate use for other purposes. Solid waste landfill operations are required to be conducted in accordance with the terms of permits obtained from various regulatory authorities, which typically incorporate the requirements of federal environmental laws or applicable state requirements, whichever are more stringent. These requirements address such matters as daily volume limitations, placement of daily, interim and final site cover materials on waste disposed at the site, construction and operation of methane gas and leachate management systems, periodic groundwater monitoring activity and final closure requirements and post-closure monitoring and maintenance activities.

Solid waste landfill customers are charged disposal charges, known as "tipping fees," based on market factors and the type and volume of solid waste deposited and the type and size of vehicles used in the conveyance of solid waste. The ownership or lease of a solid waste landfill enables the Company to dispose of

waste without payment of tipping fees to unaffiliated parties. The Company's solid waste landfills are also used by unaffiliated waste collection companies and government agencies.

The Company operates five secure hazardous waste land disposal facilities in the United States, all of which have been issued permits under the Resource Conservative and Recovery Act ("RCRA"). See "Regulation -- RCRA." In general, the Company's hazardous waste land disposal facilities have received the necessary permits and approvals to accept hazardous wastes, although some of such sites may accept only certain hazardous wastes. Only hazardous waste in a stable, solid form which meets applicable regulatory requirements may be deposited in the Company's secure disposal cells. These land disposal facilities are sited, constructed and operated in a manner designed to provide long-term containment of such waste. Hazardous wastes may be treated prior to disposal. Physical treatment methods include distillation, evaporation and separation, all of which effectively result in the separation or removal of solid materials from liquids. Chemical treatment methods include chemical oxidation and reduction, chemical precipitation of heavy metals, hydrolysis and neutralization of acid and alkaline wastes and essentially involve the transformation of wastes into inert materials through one or more chemical reaction processes. At two facilities, the Company isolates treated hazardous wastes in liquid form by injection into deep wells. Deep well technology involves drilling wells in suitable rock formations far below the base of fresh water to a point that is separated by other substantial geological confining layers.

Excluding landfills that the Company has held for sale as of December 31, 1999, the average landfill volume of the Company's North American active sites for 1999 was approximately 421,000 tons per day. The average remaining life for these landfills was approximately 18 years based on remaining permitted capacity as of December 31, 1999 and projected annual disposal volumes. The average remaining life for these sites was approximately 31 years based on remaining permitted capacity and probable expansion capacity. The expected remaining airspace capacity in cubic yards and the remaining landfill gate tons of the Company's active sites, excluding sites that are held for sale as of December 31, 1999, is as follows (in millions):

	PERMITTED	EXPANSION	TOTAL
Remaining cubic yards	2,607.8	1,844.1	4,451.9
Remaining tonnage	2,115.9	1,461.7	3,577.6

In areas where additional airspace is required, the Company may attempt to develop a new disposal facility or seek the required permits to expand an existing site. An expansion of an existing site may include either a lateral expansion onto property not previously permitted for landfill use or a vertical expansion by increasing the height of the landfill beyond the current permitted height.

Suitable solid waste landfill facilities and permission to expand existing facilities may be difficult to obtain in some areas because of land scarcity, local resident opposition and governmental regulation. As its existing facilities become filled in such areas, the Company's solid waste disposal operations are and will continue to be materially dependent on its ability to purchase, lease or otherwise obtain operating rights for additional sites or expansion of existing sites and to obtain the necessary permits from regulatory authorities to construct and operate them. In addition, there can be no assurance that additional sites can be obtained or that existing facilities can continue to be expanded or operated.

To develop a new disposal facility or obtain approval for the expansion of an existing site, the Company must expend significant time and capital resources without any certainty that the necessary permits will ultimately be issued for such facility or that the Company will be able to achieve and maintain the desired disposal volume at such facility. If the inability to obtain and retain necessary permits, the failure of a facility to achieve the desired disposal volume or other factors cause the Company to abandon development efforts for a facility, the capitalized development costs of the facility are charged to expense.

Transfer Stations. A transfer station is a facility located near residential and commercial collection routes where solid waste is received from collection vehicles and then transferred to and compacted in large, specially-constructed trailers for transportation to disposal facilities. This consolidation reduces costs by improving the utilization of collection personnel and equipment. Fees are generally based on such factors as the type and volume of the waste transferred and the transportation distance to disposal sites. Transfer stations

can also be used to facilitate internalizing disposal costs by giving Company collection operations more cost-effective access to disposal facilities owned or operated by the Company.

Recycling. The Company provides recycling services in the United States and Canada through its Recycle America(R), Recycle Canada(R) and other programs. Recycling involves the removal of reusable materials from the waste stream for processing and sale or other disposition for use in various applications. Participating commercial and industrial operations use containers to separate recyclable paper, glass, plastic and metal wastes for collection, processing and sale by the Company. Fees are determined by such considerations as competition, frequency of collection, type and volume or weight of the recyclable material, degree of processing required, distance the recyclable material must be transported and value of the recyclable material.

As part of its residential solid waste collection services, the Company engages in curbside collection of recyclable materials from residences in the United States and Canada. Curbside recycling services generally involve the collection of recyclable paper, glass, plastic and metal waste materials, which may be separated by residents into different waste containers or commingled with other recyclable materials. The recyclable materials are then typically deposited at a local materials recovery facility ("MRF") where they are sorted and processed for sale. The Company operates over 170 MRFs for the receipt and processing of recyclable materials. Such processing consists of separating recyclable materials according to type and baling or otherwise preparing the separated materials for sale.

The prices received by the Company for recyclable materials fluctuate substantially from quarter to quarter and year to year depending upon domestic and foreign demand for such materials, the quality of such materials, prices for new materials and other factors. In some instances, the Company enters into agreements with customers or the local governments of municipalities in which it provides recycling services whereby the customers or the governments share in the gains and losses resulting from fluctuation in prices of recyclable commodities. These agreements can reduce both the Company's gains and losses from such fluctuations.

Energy Recovery. The Company develops, operates, and owns waste-to-energy facilities in the United States. The Company's waste-to-energy projects are capable of processing up to 23,750 tons of solid waste per day. The heat from this combustion process is converted into high-pressure steam, which typically is used to generate electricity for sale to public utility companies under long-term contracts.

At 70 Company-owned or Company-operated solid waste landfill facilities, the Company is engaged in methane gas recovery operations. These operations involve the installation of a gas collection system into a solid waste landfill facility. Through the gas collection system, gas generated by decomposing solid waste is collected and transported to a gas-processing facility at the landfill site. Through physical and chemical processes, methane gas is separated from contaminants. The processed methane gas is then generally either sold directly to industrial users or to an affiliate of the Company which uses it as a fuel to power electricity generators. Electricity generated by these facilities is sold, usually to public utilities under long-term sales contracts, often under terms or conditions which are subject to approval by regulatory authorities.

Portable Sanitation Services. The Company also provides portable sanitation services to municipalities and commercial customers.

WM International

In August 1999, the Board of Directors of the Company announced its strategic plan, one element of which is to sell its WM International operations. In the first quarter of 2000, the Company announced that certain of its subsidiaries had signed definitive agreements to sell its operations in Finland and The Netherlands and intend to sell its interest in Waste Management New Zealand Limited. The Company expects to complete the sales of its WM International operations pursuant to the strategic plan in the year 2000.

The Company's WM International operations, which include all of the Company's operations outside of North America, may broadly be characterized into two areas of activity, collection services and treatment and disposal services.

While the Company has considerable experience in mobilizing operations internationally and managing foreign projects, its operations continue to be subject generally to such risks as currency fluctuations and exchange controls, the need to recruit and retain suitable local labor forces and to control and coordinate operations in different jurisdictions, changes in foreign laws or governmental policies or attitudes concerning their enforcement, political changes, local economic conditions and international tensions. In addition, price adjustment provisions based on certain formulas or indices may not accurately reflect the actual impact of inflation on the cost of performance.

Collection. Internationally, collection services include collection and transportation of solid, hazardous and medical wastes and recyclable material from residential, commercial and industrial customers. The residential solid waste collection process, as well as the commercial and industrial solid and hazardous waste collection process, is similar to that utilized by the Company in its North American operations. Business is obtained through public bids or tenders, negotiated contracts, and, in the case of commercial and industrial customers, direct contracts.

Residential solid waste collection is typically performed internationally pursuant to municipal contracts. The scope, specifications, services provided and duration of such contracts vary substantially, with some contracts encompassing landfill disposal of collected waste, street sweeping and other related municipal services. Pricing for municipal contracts is generally based on volume of waste, number and frequency of collection pick-ups, and disposal arrangements. Longer-term contracts typically have formulas for periodic price increases or adjustments. The Company's WM International operations also include providing curbside recycling services similar to those provided by the Company's North American operations.

International commercial and industrial solid and hazardous waste collection services are generally contracted for by individual establishments. In addition to solid waste collection customers, the Company provides services to small quantity waste generators, as well as larger petrochemical, pharmaceutical and other industrial customers, including collection of hazardous, chemical or medical wastes or residues. Contract terms and prices vary substantially among jurisdictions and types of customers. Commercial and industrial recycling services are also provided as part of the Company's WM International operations.

Treatment and Disposal. Treatment and disposal services include processing of recyclable materials, operation of both solid and hazardous waste landfills, operation of municipal and hazardous waste incinerators, operation of water and wastewater treatment facilities, operation of hazardous waste treatment facilities and construction of treatment or disposal facilities for third parties. Treatment and disposal services are provided under contracts which may be obtained through public bid or tender or by direct negotiation, and are also provided directly to other waste service companies.

Once collected, solid waste processed in a MRF may be sold, utilized or disposed of in various applications. Unprocessed solid wastes, or the portion of the waste stream remaining after recovery of recyclable materials, require disposal, which may be accomplished through incineration (in which the energy value may be recovered in a waste-to-energy facility) or through disposal in a solid waste landfill. The relative use of landfills versus incinerators differs from country to country and will depend on many factors, including the availability of land, geological and hydrogeological conditions, the availability and cost of technology and capital, and the regulatory environment. The main determinants of the disposal method are the disposal costs at local landfills, as incineration is generally more expensive, community preferences and regulatory provisions.

At present, in most countries in which the Company has WM International operations, landfilling is the predominant disposal method employed. Through its international subsidiaries, the Company owns or operates solid waste landfills in Argentina, Australia, Brazil, Denmark, Germany, Hong Kong, Italy, New Zealand, Sweden and the United Kingdom. Landfill disposal agreements may be separate contracts or an integrated portion of collection or treatment contracts.

Through its international subsidiaries, the Company owns or operates hazardous waste treatment facilities in Australia, Brazil, Brunei, Denmark, Finland, Germany, Hong Kong, Indonesia, The Netherlands, Sweden, and the United Kingdom.

Other. Industrial premises, office, street and parking lot cleaning services are also part of the Company's WM International operations, along with portable sanitation services for occasions such as outdoor concerts and special events.

Non-Solid Waste Services

Hazardous Waste Management Services. Hazardous wastes handled by the Company include industrial by-products and residues that have been identified as "hazardous" pursuant to RCRA, as well as other materials contaminated with a wide variety of chemical substances. Hazardous waste may be collected from customers and transported by the Company or contractors retained by the Company or delivered by customers to the facilities. Hazardous waste is transported primarily in specially constructed tankers and semi-trailers, including stainless steel and rubber or epoxy-lined tankers and vacuum trucks, or in containers or drums on trailers designed to comply with applicable regulations and specifications of the United States Department of Transportation ("DOT") relating to the transportation of hazardous materials. The Company also operates several facilities at which waste collected from or delivered by customers may be analyzed and consolidated prior to further shipment.

In the United States, most hazardous wastes generated by industrial processes are handled "on-site" at the generators' facilities. Since the mid-1970's, public awareness of the harmful effects of unregulated disposal of hazardous wastes on the environment and health has led to extensive and evolving federal, state and local regulation of hazardous waste management activities. The major federal statutes regulating the management of hazardous wastes or substances include RCRA, the Toxic Substances Control Act ("TSCA") and the Comprehensive Environmental Response, Compensation and Liabilities Act of 1980, as amended ("CERCLA" or "Superfund"), all primarily administered by the EPA. The hazardous waste management business is heavily dependent upon the extent to which regulations promulgated under these or similar state statutes and their enforcement over time effectively require wastes to be specially handled or managed and disposed of in facilities of the type owned and operated by the Company. See "Regulation -- Hazardous Waste," "-- RCRA" and "-- Superfund." The hazardous waste services industry currently has substantial excess capacity caused by a number of factors, including a decline in environmental remediation projects generating hazardous waste for off-site treatment and disposal, continuing efforts by hazardous waste generators to reduce volume and to manage the wastes on-site, and the uncertain regulatory environment regarding hazardous waste management and remediation requirements. These factors have led to reduced demand and increased pressure on pricing for hazardous waste management services, conditions which the Company expects to continue for the foreseeable future.

Low-Level and Other Radioactive Waste Services. Radioactive wastes with varying degrees of radioactivity are generated by nuclear reactors and by medical, industrial, research and governmental users of radioactive material. Radioactive wastes are generally classified as either high-level or low-level. High-level radioactive waste, such as spent nuclear fuel and waste generated during the reprocessing of spent fuel from nuclear reactors, contains substantial quantities of long-lived radionuclides and is the ultimate responsibility of the federal government. Low-level radioactive waste, which decays more quickly than high-level waste, largely consists of dry compressible wastes (such as contaminated gloves, paper, tools and clothing), resins and filters which have removed radioactive contaminants from nuclear reactor cooling water, and solidified wastes from power plants which have become contaminated with radioactive substances and irradiated hardware.

The Company announced in March 2000 that, pursuant to its strategic plan, one of its subsidiaries has entered into an agreement to sell all of its low-level and other radioactive waste service operations. The Company expects that the sale of these operations, which are described below, will be completed during the second quarter of 2000. See "Business -- General."

The Company's Chem-Nuclear Systems LLC subsidiary ("Chem-Nuclear") provides comprehensive low-level radioactive waste management services in the United States, consisting of disposal, processing and various other special services. To a lesser extent, it provides services with respect to radioactive waste that has become mixed with regulated hazardous waste. Its Barnwell, South Carolina facility, which has been in operation since 1971, is one of three licensed commercial low-level radioactive waste disposal facilities in the

United States. A trust has been established and funded to pay the estimated cost of decommissioning the Barnwell facility. A second trust, for the extended care of the facility, is funded by a surcharge on each cubic foot of waste received. Chem-Nuclear may be liable for additional costs if the extra charges collected to restore and maintain the facility are insufficient to cover the cost of restoring or maintaining the site during and after its closure. The Company does not expect this to have a material adverse impact on future operating results.

Under state legislation enacted in 1995, the Barnwell site is authorized to operate until its current permitted disposal activity is fully utilized. However, that legislation was attached to a state appropriations bill that included a provision for a state tax of $235 to be imposed on every cubic foot of waste disposed of at the Barnwell facility. As a result of decreased disposal volume and a shortfall in anticipated tax revenue, in June 1997, the state of South Carolina enacted new legislation requiring that Chem-Nuclear guarantee certain portions of anticipated tax revenues from the facility. Such reduced disposal volume and the requirement that Chem-Nuclear fund such tax payments have caused Chem-Nuclear to review its alternatives with respect to the Barnwell facility.

Chem-Nuclear also processes low-level radioactive waste at its customers' plants to enable such waste to be shipped in dry matter rather than liquid form to meet the requirements for receipt at disposal facilities and to reduce the volume of waste that must be transported. Processing operations include solidification, demineralization, dewatering and filtration. Other services offered by Chem-Nuclear include providing electro-chemical, abrasive and chemical removal of radioactive contamination, providing management services for spent nuclear fuel storage pools and storing and incinerating liquid radioactive organic wastes.

Through its Waste Management Federal Services, Inc. subsidiary, the Company provides hazardous, radioactive and mixed waste program and facilities management services, primarily to the United States Department of Energy and other federal government agencies. Such services include waste treatment, storage, characterization and disposal, and privatization services.

Independent Power Projects. The Company also operates and, in some cases, owns independent power projects which either cogenerate electricity and thermal energy or generate electricity alone for sale to customers, including utilities and private customers.

COMPETITION

The North American solid waste industry, despite recent consolidation, is still highly competitive. The Company encounters intense competition, primarily in the pricing and rendering of services, from various sources in all phases of its operations. The competition encountered by the Company in its North American solid waste operations is primarily from numerous publicly-held companies, locally-owned private solid waste services companies, municipalities and other regional or multi-governmental authorities, and large commercial and industrial companies handling their own waste collection or disposal operations. Local governmental entities are at times able to offer lower direct charges to the customer for the same service by subsidizing the cost of such services through the use of tax revenues and tax-exempt financing. Generally, however, municipalities do not provide significant commercial and industrial waste collection or waste disposal.

Operating costs, disposal costs, and collection fees vary widely throughout the geographic areas in which the Company operates. The prices that the Company charges are determined locally, and typically vary by the volume, type of waste collected, treatment requirements, risks involved in the handling or disposing of waste, frequency of collections, distance to final disposal sites, labor costs and amount and type of equipment furnished to the customer. Long-term solid waste collection contracts typically contain a formula, generally based on published price indices, for automatic adjustment of fees.

The Company competes for landfill business on the basis of tipping fees, geographical location, and quality of operations. The Company's ability to obtain landfill volume may be limited by the fact that some major collection companies also own or operate landfills to which they internalize their waste. The Company competes for collection accounts primarily based on price and the quality of its services. Intense competition is encountered for both quality of service and pricing. From time to time, competitors may reduce the price of

their services and accept lower profit margins in an effort to expand or maintain market share or to successfully obtain competitively bid contracts.

The Company provides residential collection services under a number of municipal contracts. Such contracts are subject to periodic competitive bidding, and there is no assurance that the Company will be the successful bidder and will be able to retain such contracts. If the Company is unable to replace certain contracts lost through the competitive bidding process with comparable contracts within a reasonable time period, the earnings of the Company could be adversely affected.

Increased public environmental awareness and certain mandated state regulations have resulted in increased recycling, composting and waste reduction efforts in many different areas of North America. Such efforts tend to reduce the amount of solid waste directed to landfills and waste-to-energy facilities. Although the Company believes that landfills and waste-to-energy facilities will continue to be the primary depository for solid waste well into the future, there can be no assurance that recycling, composting, and waste reduction efforts will not affect future disposal volumes. The effect, if any, on such volumes could also vary between different geographic regions as well as within individual market areas in each region.

The Company also encounters intense competition in pricing and rendering of services in its portable sanitation service business, from numerous large and small competitors. In addition, the Company's program and facilities management business encounters intense competition, primarily in pricing, quality and reliability of services, from various sources in all aspects of its business.

In its hazardous waste management operations, the Company encounters competition from a number of sources, including several national or regional firms specializing primarily in hazardous waste management, local waste management concerns and, to a much greater extent, generators of hazardous wastes which seek to reduce the volume of or otherwise process and dispose of such wastes themselves. The basis of competition is primarily technical expertise and the price, quality and reliability of service.

Similarly, the Company encounters intense competition in its WM International operations from local companies and governmental entities in particular countries, as well as from major international companies. Pricing, quality of service and type of equipment utilized are the primary methods of competition for collection services, and proximity of suitable treatment or disposal facilities, technical expertise, price, quality and reliability of services are the primary methods of competition for treatment and disposal services.

EMPLOYEES

At December 31, 1999, the Company had approximately 75,000 full-time employees, of which approximately 10,000 were employed in clerical, administrative, and sales positions, 3,000 in management, and the balance in collection, disposal, transfer station and other operations. Approximately 13,000 of the Company's employees are covered by collective bargaining agreements. Of the Company's 75,000 full-time employees, there are approximately 55,000 related to its NASW operations at December 31, 1999. The Company has not experienced a significant work stoppage, and management considers its employee relations to be good.

INSURANCE AND FINANCIAL ASSURANCE OBLIGATIONS

The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations, including general liability, automobile liability, real and personal property, workers' compensation, directors' and officers' liability, and such other coverages as management deems necessary. Some of these coverages are subject to varying retentions of risk by the Company. At December 31, 1999, the Company's casualty policies provided for $2 million per occurrence coverage for primary commercial general liability and $1 million per accident coverage for primary automobile liability (including coverage for pollution exposure arising out of trucking operations) supported by $500 million in umbrella insurance protection. At December 31, 1999, the Company's property policy provided insurance coverage for all of the Company's real and personal property on a replacement cost basis, including California earthquake perils. At December 31, 1999, the Company also carried $200 million in aircraft liability

protection. The Company believes these are appropriate levels for its operations and that such levels meet applicable requirements of the various states and countries in which it operates, however, various factors, including cost and coverage availability, could cause the Company to change its levels of coverage.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. At December 31, 1999, the Company's ongoing workers' compensation insurance program had a deductible per incident of $250,000. Through the second quarter of 1999, the Company estimated its insurance-related liabilities for the ongoing programs mainly related to workers' compensation, based on an analysis of insurance claims submitted for reimbursement, plus an estimate for liabilities incurred as of the balance sheet date, but not yet reported to the Company. In the third quarter of 1999, the Company began estimating these liabilities based on actuarially determined estimates of ultimate losses. These estimates are generally within a range of potential ultimate outcomes.

The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. At December 31, 1999, this policy provided $10 million of coverage per loss with a $20 million aggregate limit.

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

Municipal and governmental waste management contracts typically require performance bonds or bank letters of credit to secure performance. In addition, the Company is required to provide financial assurance for final closure and post-closure obligations with respect to its landfills. The Company uses different mechanisms for establishing financial assurance depending on the jurisdiction, including escrow-type accounts funded by revenues during the operational life of a facility, letters of credit from third parties, corporate guarantees, surety bonds and traditional insurance. However, the Company also establishes financial assurance through "captive insurance" which is insurance provided by the Company's wholly-owned, but independent, regulated insurance company subsidiary, National Guaranty Insurance Company ("NGIC"). NGIC is authorized to write up to $1.1 billion in insurance policies or surety bond limits for the Company's final closure and post-closure requirements. In those instances where the use of NGIC or captive insurance is not acceptable, the Company has available alternative bonding mechanisms. The Company has not experienced difficulty in obtaining performance bonds or letters of credit for its current operations. As of December 31, 1999, the Company had provided letters of credit of approximately $1.5 billion, and surety bonds of approximately $3.0 billion to municipalities and other customers and other regulatory authorities supporting tax-exempt bonds, performance of landfill final closure and post-closure requirements, insurance contracts, and other contracts. Continued availability of surety bonds and letters of credit in sufficient amounts at acceptable rates is an important aspect of obtaining additional municipal collection contracts and obtaining or retaining disposal site operating permits.

REGULATION

General -- Potential Adverse Effect of Government Regulations

The Company's principal business activities are subject to extensive and evolving federal, state, local and foreign environmental, health, safety, and transportation laws and regulations. These regulations are administered by the EPA in the United States, various other federal, state, and local environmental, zoning, health, and safety agencies in the United States and elsewhere, including the European Environmental Agency in Europe and various other national agencies outside of Europe. Many of these agencies periodically examine the Company's operations to monitor compliance with such laws and regulations.

Generally, the regulatory process requires the Company, and other companies in the industry, to obtain and retain numerous governmental permits to conduct various aspects of its operations, any of which may be subject to revocation, modification or denial. Particularly, the development, expansion, and operation of landfills and transfer stations are subject to extensive regulations governing siting, design, operations, monitoring, site maintenance, corrective action, financial assurance, and final closure and post-closure obligations. In order to construct, expand, and operate a landfill or transfer station, the Company must obtain and maintain one or more construction or operating permits and licenses and, in certain instances, applicable zoning approvals. Obtaining the necessary permits and approvals in connection with the acquisition, development, or expansion of a landfill or transfer station is difficult, time-consuming (often taking two to three years or more), and expensive, and is frequently opposed by local citizens as well as environmental groups. Many agencies require public hearings prior to issuance of such permits giving such opposition an opportunity to be heard. In addition, many agencies consider the compliance history of the applicant as well as any parent, subsidiary or affiliated company as a factor in the permit approval process. Once obtained, operating permits are subject to modification and revocation by the issuing agency. The Company is also subject to the licensing requirements of the Federal Communications Commission ("FCC") with respect to two-way radio communications. Compliance with current and future regulatory requirements may require the Company, as well as others in the waste management industry, from time to time, to make significant capital and operating expenditures.

For collection operations, regulation takes such forms as licensing collection vehicles, health and safety requirements, vehicular weight limitations, and, in certain localities, limitations on weight, area, time, and frequency of collection.

Federal, state, local and foreign governments have, from time to time, proposed or adopted other types of laws, regulations, or initiatives with respect to the environmental services industry, including laws, regulations, and initiatives to ban or restrict the international, interstate, or intrastate shipment of wastes, impose higher taxes on out-of-state waste shipments than on in-state shipments, limit the types of wastes that may be disposed of at existing landfills, mandate waste minimization initiatives, require recycling and yard waste composting, reclassify certain categories of nonhazardous waste as hazardous, and regulate disposal facilities as public utilities. Congress has, from time to time, considered legislation that would enable or facilitate such bans, restrictions, taxes, and regulations, many of which could adversely affect the demand for the Company's services. Similar types of laws, regulations, and initiatives have also, from time to time, been proposed or adjusted in other jurisdictions in which the Company operates. The effect of these and similar laws could be a reduction of the volume of waste that would otherwise be disposed of in the Company's landfills. The Company makes a continuing effort to anticipate regulatory, political, and legal developments that might affect its operations, but it is not always able to do so. The Company cannot predict the extent to which any legislation or regulation that may be enacted, amended, repealed, reinterpreted, or enforced in the future may affect its operations. Such actions could adversely affect the Company's operations or impact the Company's future financial condition or earnings.

Also, in May 1994, the United States Supreme Court ruled that state and local governments may not constitutionally restrict the free movement of waste in interstate commerce through the use of flow control laws. Such laws typically involve a local government specifying a jurisdictional disposal site for all solid waste generated within its borders. Since the ruling, several decisions of state or federal courts have invalidated regulatory flow control schemes in a number of jurisdictions. Other judicial decisions have upheld non-regulatory means by which municipalities may effectively control the flow of municipal solid waste. In addition, federal legislation has been proposed, but not yet enacted, to effectively grandfather existing flow control mandates. There can be no assurance that such alternatives to regulatory flow control will in every case be found lawful or that such legislation will be enacted into law. However, the Supreme Court's 1994 ruling and subsequent court decisions have not to date had a material adverse effect on any of the Company's operations. In the event that such legislation is not adopted, the Company believes that affected municipalities will endeavor to implement alternative lawful means to continue controlling the flow of waste. In view of the uncertain state of the law at this time, however, the Company is unable to predict whether such efforts would be successful or what impact, if any, this matter might have on the Company's operations.

In 1997, the EPA released guidance interpreting the Civil Rights Act to require federal, state, or local permitting authorities receiving money from the EPA to consider the discriminatory effects that may result from permit issuances, renewals or modifications. The EPA will entertain challenges to any such permits on the grounds that the permitted activities, alone or in conjunction with other permitted activities, subject minority communities to disparate exposure to pollution. The lack of specific standards in the EPA's guidance creates some uncertainty about the effects any such challenges could have on the Company's ability to obtain or renew necessary permits.

The demand for certain of the services provided by the Company, particularly its hazardous waste management services, is dependent in part on the existence and enforcement of federal, state, local and foreign laws and regulations which govern the discharge of hazardous substances into the environment and on the funding of agencies and programs under such laws and regulations. Such businesses will be adversely affected to the extent that such laws or regulations are amended or repealed, with the effect of reducing the regulation of, or liability for, such activity, that the enforcement of such laws and regulations is lessened or that funding of agencies and programs under such laws and regulations is delayed or reduced. In particular, the EPA continues to consider proposals under RCRA to redefine the term "hazardous waste" for regulatory purposes. Under some such proposals, wastes containing minimal concentrations of hazardous substances would no longer be subject to the stringent record-keeping, handling, treatment and disposal rules applied to hazardous wastes under RCRA. These proposals would, if adopted, reduce the volume of wastes for which the Company's hazardous waste management services are needed.

In addition to environmental laws and regulations, federal government contractors, including the Company, are subject to extensive regulation under the United States Federal Acquisition Regulation and numerous statutes which deal with the accuracy of cost and pricing information furnished to the United States government, the allowability of costs charged to the United States government, the conditions under which contracts may be modified or terminated, and other similar matters. Various aspects of the Company's operations are subject to audit by agencies of the United States government in connection with its performance of work under such contracts as well as its submission of bids or proposals to the United States government. Failure to comply with contract provisions or other applicable requirements may result in termination of the contract, the imposition of civil and criminal penalties against the Company, or the suspension or debarment of all or a part of the Company from performing services for the United States government, which could have a material adverse impact upon the Company's financial condition or earnings for one or more fiscal quarters or years. Among the reasons for debarment are violations of various statutes, including those related to employment practices, the protection of the environment, the accuracy of records and the recording of costs. Other governmental authorities have similar suspension and debarment laws or regulations which are applicable to their respective jurisdictions.

Governmental authorities have the power to enforce compliance with regulations and permit conditions and to obtain injunctions or impose fines in case of violations. During the ordinary course of its operations, the Company may, from time to time, receive citations or notices from such authorities that a facility is not in full compliance with applicable environmental or health and safety regulations. Upon receipt of such citations or notices, the Company will work with the authorities to address their concerns. Failure to correct the problems to the satisfaction of the authorities could lead to monetary penalties, curtailed operations, jail terms, facility closure, or an inability to obtain permits for additional sites.

As a result of changing government and public attitudes in the area of environmental regulation and enforcement, management anticipates that continually changing requirements in health, safety, and environmental protection laws will require the Company and others engaged in the waste management industry to continually modify or replace various facilities and alter methods of operation at costs that may be substantial. The Company's significant expenditures incurred in the operation of its disposal facilities relate to complying with the requirements of laws concerning the environment. These expenditures relate to facility upgrades, corrective actions, and facility final closure and post-closure care. The majority of these expenditures are made in the normal course of the Company's business and neither materially adversely affect the Company's earnings nor place the Company at any competitive disadvantage. Although the Company, to its knowledge, is currently in compliance in all material respects with all applicable federal, state, and local laws, permits,

regulations, and orders affecting its operations where noncompliance would result in a material adverse effect on the Company's financial condition, results of operations or cash flows, there is no assurance that the Company will not have to expend substantial amounts for such actions in the future.

The Company expects to grow in part by acquiring existing landfills, transfer stations, and collection operations. Although the Company conducts environmental due diligence investigations associated with the past waste management practices of the businesses that it acquires, it can have no assurance that, through its investigation, it will identify all potential environmental problems or risks. As a result, the Company may have acquired, or may in the future acquire, landfills or other properties or businesses that have unknown environmental problems and related liabilities. The Company will be subject to similar risks and uncertainties in connection with the acquisition of closed facilities that had been previously operated by businesses acquired by the Company. The Company seeks to mitigate the foregoing risks by obtaining environmental representations and indemnities from the sellers of the businesses that it acquires. However, there can be no assurance that the Company will be able to rely on any such indemnities if an environmental liability exists.

Solid Waste

Operating permits are generally required at the state and local level for landfills, transfer stations and collection vehicles. Operating permits need to be renewed periodically and may be subject to revocation, modification, denial or non-renewal for various reasons, including failure of the Company to satisfy regulatory concerns. With respect to solid waste collection, regulation takes such forms as licensing of collection vehicles, truck safety requirements, radio communication licensing, vehicular weight limitations and, in certain localities, limitations on rates, area, time and frequency of collection. With respect to solid waste disposal, regulation covers various matters, including landfill location and design, groundwater monitoring, gas control, liquid runoff and rodent, pest, litter and traffic control. Zoning and land use requirements and limitations are encountered in the solid waste collection, transfer, recycling, energy recovery and disposal phases of the Company's business. In almost all cases the Company is required to obtain conditional use permits or zoning law changes in order to develop transfer station, resource recovery or disposal facilities. In addition, the Company's disposal facilities are subject to water and air pollution laws and regulations. Noise pollution laws and regulations may also affect the Company's operations. Governmental authorities have the power to enforce compliance with these various laws and regulations and violators are subject to injunctions, fines and revocation of permits. Private individuals may also have the right to sue to enforce compliance. Safety standards under the Occupational Safety and Health Act ("OSHA") are also applicable to the Company's solid waste and related services operations.

The EPA and various states acting pursuant to EPA-delegated authority have promulgated rules pursuant to RCRA which serve as minimum requirements for land disposal of municipal wastes. The rules establish requirements applicable to the siting, construction, operations, final closure and post-closure monitoring and maintenance of all but the smallest municipal waste landfill facilities. The Company does not believe that continued compliance with the more stringent minimum requirements will have a material adverse effect on the Company's operations. See also "-- RCRA" and "-- Superfund" below for additional regulatory information.

In March 1996, the EPA issued regulations that require large, municipal solid waste landfills to install and monitor systems to collect and control landfill gas. The regulations apply to landfills that are designed to accommodate 2.5 million cubic meters or more of municipal solid waste and that accepted waste for disposal after November 8, 1987, regardless of whether the site is active or closed. The date by which each affected landfill must have such a gas collection and control system depends on whether the landfill began operation before or after May 30, 1991. In the United States, landfills constructed, reconstructed, modified or first accepting waste after May 30, 1991, generally must have had systems in place by late 1998. Older landfills are generally regulated by states and will be required to have landfill gas systems in place within approximately 30 months of EPA's approval of the state program. Many state solid waste regulations already require collection and control systems. Compliance with the new regulations is not expected to have a material adverse effect on the Company.

Hazardous Waste

The Company is required to obtain federal, state, local and foreign governmental permits for its hazardous waste treatment, storage and disposal facilities. Such permits are difficult to obtain, and in most instances extensive geological studies, tests and public hearings are required before permits may be issued. The Company's hazardous waste treatment, storage and disposal facilities are also subject to siting, zoning and land use restrictions, as well as to regulations (including certain requirements pursuant to federal statutes) which may govern operating procedures and water and air pollution, among other matters. In particular, the Company's operations in the United States are subject to the Safe Drinking Water Act (which regulates deep well injection), TSCA (pursuant to which the EPA has promulgated regulations concerning the disposal of polychlorinated biphenyls ("PCBs")), the Clean Water Act (which regulates the discharge of pollutants into surface waters and sewers by municipal, industrial and other sources) and the Clean Air Act (which regulates emissions into the air of certain potentially harmful substances). In transportation operations, the Company is subject to the jurisdiction of the Interstate Commerce Commission and regulated by the DOT and by regulatory agencies in each state. Employee safety and health standards under OSHA are also applicable. The Company is also subject to the licensing requirements of the FCC with respect to two-way radio communications.

All of the Company's hazardous waste treatment, storage or disposal facilities in the United States have been issued permits under RCRA. The regulations governing issuance of permits contain detailed standards for hazardous waste facilities on matters such as construction, waste analysis, security, inspections, training, preparedness and prevention, emergency procedures, reporting and recordkeeping, final closure and post-closure monitoring and maintenance. Once issued, a final permit has a maximum fixed term of ten years, and such permits for land disposal facilities are required to be reviewed five years from the date of issuance. The issuing agency (either the EPA or an authorized state) may review or modify a permit at any time during its term.

The Company believes that it maintains each of its operating treatment, storage or disposal facilities in substantial compliance with the applicable requirements promulgated pursuant to RCRA. It is possible, however, that the issuance or renewal of a permit could be made conditional upon the initiation or completion of modifications or corrective actions at facilities, which might involve substantial additional capital expenditures. Although the Company anticipates the reauthorization of each permit at the end of its term if the facility's operations are in compliance with applicable requirements, there can be no assurance that such will be the case.

The radioactive waste services of Chem-Nuclear are also subject to extensive governmental regulation. Due to the extensive geological and hydrogeological testing and environmental data required, and the complex political environment, it is difficult to obtain permits for radioactive waste disposal facilities. Various phases of Chem-Nuclear's low-level radioactive waste management services are regulated by various state agencies, the United States Nuclear Regulatory Commission (the "NRC") and the DOT. Regulations applicable to Chem-Nuclear's operations include those dealing with packaging, handling, labeling and routing of radioactive materials, and prescribe detailed safety and equipment standards and requirements for training, quality control and insurance, among other matters. Employee safety and health standards under OSHA are also applicable, as well as radio communication licensing by the FCC.

Waste-to-Energy and Related Services

The Company provides waste-to-energy and related services through its wholly-owned subsidiary Wheelabrator Technologies Inc. ("WTI"), which is now managed as part of the NASW operations. WTI's business activities are subject to environmental regulation under federal, state and local laws and regulations. These regulations include the Clean Air Act, the Clean Water Act and RCRA. The Company believes that this business is conducted in material compliance with applicable laws and regulations. There can be no assurance, however, that such requirements will not change to the extent that it would materially affect the Company's consolidated financial statements. The Company believes that the air pollution control systems at certain waste-to-energy facilities owned or leased for use in these operations most likely will be required to be

modified to comply with more stringent air pollution control standards adopted by the EPA in December 1995 for large municipal waste combusters. The compliance dates have varied by facility, but all affected facilities will be required to be in compliance with the standards by the end of the year 2000. Currently available technologies are adequate to meet the new standards. Although the total expenditures required for such modifications are approximately $75.2 million, they are not expected to have a material adverse effect on the Company's liquidity or results of operations because provisions in the impacted facilities' long-term waste supply agreements generally allow the Company to recover from customers the majority of incremental capital and operating costs. The customer's share of capital and financing costs is typically recovered over the remaining life of the waste supply agreements, and pro rata operating costs are recovered in the period incurred. There can be no assurance, however, the Company will be able to recover, for each project, all such increased costs from its customers. Moreover, it is possible that future developments, such as increasingly strict requirements of environmental laws, and enforcement policies thereunder, could affect the manner in which the Company operates its waste-to-energy projects and conducts its business, including the handling, processing or disposal of the wastes, by-products and residues generated thereby.

The Company's Gloucester County, New Jersey waste-to-energy facility historically relied on a disposal franchise for substantially all of its supply of municipal solid waste. On May 1, 1997, the Third Circuit Court of Appeals (the "Third Circuit") permanently enjoined the State of New Jersey from enforcing its franchise system as a form of unconstitutional solid waste flow control, but stayed the injunction for so long as any appeals were pending. On November 10, 1997, the United States Supreme Court announced its decision not to review the Third Circuit decision, thereby ending the stay and, effectively, the facility's disposal franchise. In response, the Gloucester facility lowered its prices. In early 1999, the Company entered into an agreement pursuant to which the Company will operate the Gloucester facility and provide disposal services under a new service agreement for the next ten years. As part of the agreement, Gloucester County agreed to cooperate in a refinancing of the existing project debt. The refinancing, which closed in the fourth quarter of 1999, settled all disputes and released the existing letter of credit. As a result of the agreement and refinancing, the Company expects the Gloucester project to operate profitably, albeit at reduced levels, in the absence of regulatory control.

The Company's energy facilities in the United States are also subject to the provisions of various energy-related laws and regulations, including the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The ability of the Company's waste-to-energy and small power production facilities to sell power to electric utilities on advantageous terms and conditions and to avoid burdensome public utility regulation has historically depended, in part, upon the applicability of certain provisions of PURPA, which generally exempts the Company from state and federal regulatory control over electricity prices charged by, and the finances of, the Company and its energy-producing subsidiaries. As state legislatures and the United States Congress have accelerated their consideration of the manner in which economic efficiencies can be gained by deregulating the electric generation industry, utilities and others have taken the position that power sales agreements entered into pursuant to PURPA which provide for rates in excess of current market rates should be voidable as "stranded assets." The Company's power production facilities are qualifying facilities under PURPA and depend on the sanctity of their power sales agreements for their economic viability. Although a repeal or modification of PURPA is possible within the next two years, the Company believes that federal law offers strong protection to the PURPA contracts and recent state and federal agency and court decisions have unanimously upheld the inviolate nature of these contracts. In addition, state legislative actions to date have not attempted to abrogate these contracts. While there is some risk that future utility restructurings, court decisions and/or legislative or administrative action in this area could have an adverse effect on the business of the Company, in light of recent developments, the Company currently believes such risk is remote. In addition, the passage of the Energy Policy Act of 1992 created an alternative ownership mechanism by which the Company's future independent power projects would be able to participate in the electricity generation industry without the burdens of traditional public utility regulation. For those reasons, the operations of existing waste-to-energy and other small power production facilities business are not currently expected to be materially and adversely affected if the various benefits of PURPA are repealed or substantially reduced on a prospective basis. However, the Company can give no assurances that future utility restructurings, court

decisions or legislative or administrative action in this area will not have a material adverse impact on its consolidated financial statements.

RCRA

Pursuant to RCRA, the EPA has established and administers a comprehensive "cradle-to-grave" system for the management of a wide range of industrial by-products and residues identified as "hazardous" wastes. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA may be authorized by the EPA to administer their programs in lieu of RCRA.

Under RCRA and federal transportation laws, a transporter must deliver hazardous waste in accordance with a manifest prepared by the generator of the waste and only to a treatment, storage or disposal facility having a RCRA permit or interim status under RCRA. Every facility that treats or disposes of hazardous wastes must obtain a RCRA permit from the EPA or an authorized state and must comply with certain operating standards. The RCRA permitting process involves applying for interim status and also for a final permit. Under RCRA and the implementing regulations, facilities which have obtained interim status are allowed to continue operating by complying with certain minimum standards pending issuance of a permit.

RCRA also imposes restrictions on land disposal of certain hazardous wastes and prescribes standards for hazardous waste land disposal facilities. Under RCRA, land disposal of certain types of untreated hazardous wastes has been banned, except where the EPA has determined that land disposal of such wastes and treatment residuals should be permitted. The disposal of liquids in hazardous waste land disposal facilities is also prohibited.

The EPA, from time to time, considers fundamental changes to its regulations under RCRA that could facilitate exemptions from hazardous waste management requirements, including policies and regulations that could implement the following changes: redefine the criteria for determining whether wastes are hazardous; prescribe treatment levels which, if achieved, could render wastes nonhazardous; encourage further recycling and waste immunization; and indirectly encourage on-site remediation. To the extent such changes are adopted, they can be expected to adversely affect the demand for the Company's hazardous waste management disposal facilities. In this regard, the EPA has recently proposed regulations which would have the effect of reducing the volume of waste classified as hazardous for RCRA regulatory purposes.

In addition to the foregoing provisions, RCRA regulations require the Company to demonstrate financial responsibility for possible bodily injury and property damage to third parties caused by both sudden and nonsudden accidental occurrences. Also, RCRA regulations require the Company to provide financial assurance that funds will be available when needed for final closure and post-closure care at its waste treatment, storage and disposal facilities, the costs of which could be substantial. See "Business -- Insurance and Financial Assurance Obligations." Such regulations allow the financial assurance requirements to be satisfied by various means, including letters of credit, surety bonds, trust funds, a financial (net worth) test and a guarantee by a parent corporation. Under RCRA regulations, a company must pay the closure costs for a waste treatment, storage or disposal facility owned by it upon the closure of the facility and thereafter pay post-closure care costs. If such a facility is closed prior to its originally anticipated time, it is unlikely that sufficient funds or reserves will have been accrued over the life of the facility to provide for such costs, and the owner of the facility could suffer a material adverse impact as a result. Consequently, it may be difficult to close such facilities to reduce operating costs at times when, as is currently the case in the hazardous waste services industry, excess treatment, storage or disposal capacity exists.

Superfund

Among other things, Superfund generally provides for the remediation of sites from which there has been a release or threatened release of a hazardous substance into the environment. Superfund imposes joint and several liability for the costs of remediation and for damages to natural resources upon the present and former owners or operators of facilities or sites from which there is a release or threatened release of hazardous substances. Waste generators and waste transporters are also strictly liable. Under the authority of CERCLA,

detailed requirements apply to the manner and degree of remediation of facilities and sites where hazardous substances have been or are threatened to be released into the environment.

Liability under CERCLA is not dependent upon the intentional disposal of "hazardous wastes," as defined under RCRA. It can be founded upon a release or threatened release, even as a result of lawful, unintentional, and non-negligent action, of any one of more than 750 "hazardous substances," including very small quantities of such substances. CERCLA requires the EPA to establish a National Priorities List ("NPL") of sites at which hazardous substances have been or are threatened to be released and which require investigation or remediation. The EPA's primary way of determining whether a site is to be included on the NPL is the Hazard Ranking System, which evaluates the relative potential for a release of hazardous substances to pose a threat to human health or the environment pursuant to a scoring system based on factors grouped into three categories: (1) likelihood of release, (2) hazardous substance characteristics, and (3) receptors. To date, approximately 31,000 sites have been reviewed. These sites are compiled on the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") list. The identification of a site on the CERCLIS list indicates only that the site has been brought to the attention of the EPA and will undergo an assessment of environmental conditions thereon, but it does not necessarily mean that an actual health or environmental threat currently exists or has ever existed.

Of the 1405 NPL sites, 250 of the sites are solid waste landfills. Thus, even if the Company's landfills have never received "hazardous wastes" as such, one or more hazardous substances may have come to be located at its landfills. Because of the extremely broad definition of "hazardous substances," the same is true of other industrial properties with which the Company or its predecessors has been, or with which the Company may become, associated as an owner or operator. Consequently, if there is a release or threatened release of such substances into the environment from a site currently or previously owned or operated by the Company, the Company could be liable under CERCLA for the cost of removing such hazardous substances at the site, remediation of contaminated soil or groundwater, and for damages to natural resources, even if those substances were deposited at the Company's facilities before the Company acquired or operated them. A finding of such liability could have a material adverse impact on the Company's business and financial condition. See "Business -- Insurance and Financial Assurance Obligations."

Under CERCLA, the Company may not be liable for the remediation of a disposal site that was never owned or operated by the Company ("third party site") containing hazardous substances transported to such site by the Company if the site was selected by the generator of the hazardous substance. However, the Company would be responsible for any hazardous substances during actual transportation. Also, the Company could be liable under CERCLA for environmental contamination at a third party site caused by the release of hazardous substances transported by the Company where the Company selected the disposal site. CERCLA imposes liability for certain environmental response measures upon transporters who selected the disposal site at which a release or threatened release of hazardous substances occurs. It therefore is common in the solid waste transport business to receive information requests from the EPA about transporting activities to disposal sites. The Company has received information requests regarding transporting activities to its own disposal sites as well as third party sites. The environmental agencies or other potentially responsible parties could assert that the Company is liable for environmental response measures arising out of disposal at a third party site that was selected by the Company, a waste transporter acquired by the Company, or a waste transporter with whom the Company contracted.

Traditionally, in most states, purchasers of assets have not acquired the liabilities of the seller unless explicitly agreeing to do so. A trend developing in federal courts is the expansion of the number of entities liable under Superfund. Some Federal courts have ruled that because of the "broad remedial purposes" of Superfund, asset purchasers should be liable for the activities of the seller. Over the years, the Company has acquired assets from a significant number of sellers whose liabilities were not considered at the time of the transaction. This developing trend could materially increase the Company's Superfund exposure. The Company is vigorously resisting this change both judicially and legislatively.

Several bills have been introduced in the United States Congress to reauthorize and substantially amend CERCLA. In addition to possible changes in the statute's funding mechanisms and provisions for allocating

cleanup responsibility, Congress may also fundamentally alter the statute's provisions governing the selection of appropriate site remedial action. In this regard, new approaches to cleanup, removal, treatment, and remediation of hazardous substance releases may be adopted which rely on nationally or site-specific risk based standards. These types of policy changes could significantly affect the stringency and extent of site remediation, the types of remediation techniques employed, and the types of waste management facilities that may be used for the treatment and disposal of hazardous substances. Congress may additionally consider revision of the liability imposed by CERCLA on current owners of property for contamination caused prior to a party's acquisition of a site. This consideration could potentially reduce responsibility for remediation obligations under CERCLA that the Company could otherwise incur.

WM International

The Company's WM International operations are subject to the general business, liability, land-use planning and other environmental laws and regulations of the countries where the services are performed and, in Europe, to European Union ("EU") regulations and directives. The degree of local enforcement of applicable laws and regulations varies substantially between, and even within, the various countries where the Company has WM International operations. The Company has WM International operations in many countries that are members of the EU, which has issued and continues to issue environmental directives and regulations covering a broad range of environmental matters and has created a European Environmental Agency responsible for monitoring and collating member state environmental data. The Single European Act, passed in 1987, established three fundamental principles to guide the development of future EU environmental law: (i) the need for preventative action; (ii) the correction of environmental problems at the source; and (iii) the polluter's liability for environmental damage.

The Treaty on European Union, signed in December 1991, came into force in November 1993. Revised in Amsterdam in June 1997, the Treaty now regards "sustainable development" as a key component of EU policy-making and requires that environmental protection be integrated into the definition and application of all EU laws.

The impact of current and future EU legislation will vary from country to country according to the degree to which existing national requirements already meet or fall short of the new EU standards and, in some jurisdictions, may require extensive public and private sector investment and the development and provision of the necessary technology, expertise, administrative procedures and regulatory structures. These extensive laws and regulations are continually evolving in response to technological advances and heightened public and political concern.

Outside Europe, continuing industrialization, population expansion and urbanization have caused increased levels of pollution with all of the resultant social and economic implications. The desire to sustain economic growth and address historical pollution problems is being accompanied by investments in environmental infrastructure and the introduction of regulatory standards to further control industrial activities.

The Company believes that its WM International operations are conducted in material compliance with applicable laws and regulations and does not anticipate that maintaining such compliance will adversely affect the Company's consolidated financial statements or operations. There can be no assurance, however, that such requirements will not change so as to require significant additional expenditures or operating costs.

State and Local Regulation

The states in which the Company operates have their own laws and regulations that may be more strict than comparable federal laws and regulations governing hazardous and nonhazardous solid waste disposal, water and air pollution, releases and cleanup of hazardous substances and liability for such matters. The states also have adopted regulations governing the siting, design, operation, maintenance, final closure, and post-closure maintenance of landfills and transfer stations. The Company's facilities and operations are likely to be subject to many, if not all, of these types of requirements. In addition, the Company's collection and landfill operations may be affected by the trend in many states toward requiring the development of waste reduction and recycling programs. For example, several states have enacted laws that require counties to adopt

comprehensive plans to reduce, through waste planning, composting, recycling, or other programs, the volume of solid waste deposited in landfills. Additionally, the disposal of yard waste in solid waste landfills has been banned in several states. Legislative and regulatory measures to mandate or encourage waste reduction at the source and waste recycling have also been considered from time to time by the United States Congress and the EPA.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of hazardous and nonhazardous solid waste generated outside the state. While laws that overtly discriminate against out-of-state waste have been found to be unconstitutional, some laws that are less overtly discriminatory have been upheld in court. Additionally, certain state and local governments have enacted "flow control" regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific disposal sites. In May 1994, the United States Supreme Court ruled that a flow control ordinance was unconstitutional. However, from time to time, the United States Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of extraterritorial waste, and granting states and local governments authority to enact partial flow control legislation. To date, such congressional efforts have been unsuccessful. The United States Congress' adoption of such legislation allowing for restrictions on importation of extraterritorial waste or certain types of flow control, or the adoption of legislation affecting interstate transportation of waste at the federal or state level, could adversely affect the Company's solid waste management services, including collection, transfer, disposal, and recycling operations, and in particular the Company's ability to expand landfill operations acquired in certain areas.

Many states and local jurisdictions in which the Company operates have enacted "fitness" laws that allow agencies having jurisdiction over waste services contracts or permits to deny or revoke such contracts or permits on the basis of an applicant's (or permit holder's) compliance history. Some states and local jurisdictions go further and consider the compliance history of the parent, subsidiaries or affiliated companies, in addition to the applicant. These laws authorize the agencies to make determinations of an applicant's fitness to be awarded a contract or to operate and to deny or revoke a contract or permit because of unfitness absent a showing that the applicant has been rehabilitated through the adoption of various operating policies and procedures put in place to assure future compliance with applicable laws and regulations.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

In the normal course of its business, the Company, in an effort to help keep its stockholders and the public informed about the Company's operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward-looking statements, as that term is defined in the United States federal securities laws. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, projected or anticipated benefits from acquisitions made by or to be made by the Company, or projections involving anticipated revenues, earnings, or other aspects of operating results. The words "may," "should," "expect," "believe," "anticipate," "project," "estimate," their opposites and similar expressions are intended to identify forward-looking statements. The Company cautions readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements and the projections upon which the statements are based, including but not limited to those discussed below. As noted elsewhere in this report, all phases of the Company's operations are subject to a number of uncertainties, risks, and other influences, many of which are outside the control of the Company, and any one of which, or a combination of which, could materially affect the Company's financial statements and operations and whether forward-looking statements made by the Company ultimately prove to be accurate.

The following discussion outlines certain factors that could affect the Company's financial statements for 2000 and beyond and cause them to differ materially from those that may be set forth in forward-looking statements made by or on behalf of the Company.

Uncertainties Relating to Pending Litigation and Investigations

The Company faces uncertainties relating to pending litigation and investigations. See "Legal Proceedings." The Company is unable to predict the outcome or impact of these matters and there can be no assurance that they will not have a material adverse effect on the Company and its operations.

Accounting Charges Have Negatively Impacted Reported Financial Results, Have Resulted in the Charges Related to the Impairment of the Value of Certain Assets and May Reflect Decreases in Future Cash Flows

During 1999, the Company initiated a comprehensive internal review of its accounting records, systems, processes and controls at the direction of the Board of Directors. As a result of this review, the Company recorded certain charges and adjustments in the third quarter of 1999 totaling $1.23 billion after tax. Because of the size of the charges, generally accepted accounting principles require the Company to attempt to determine whether portions of the charges apply to prior periods. While the Company believes that certain of these charges may have related to prior periods, it does not have sufficient information to identify all specific charges attributable to prior periods. Producing the information required to identify these charges would be cost prohibitive and disruptive to the Company's operations. Additionally, the Company concluded, based on its quantitative and qualitative analysis of available information, after consultation with its independent public accountants, that it did not have, nor was it able to obtain, sufficient information to conclude what amount of the charges relate to any individual prior year, although qualitative analysis indicates that these charges are principally related to 1999. Accordingly, the Company has concluded that these charges are appropriately reflected in the 1999 annual financial statements.

Some of the charges and adjustments recorded in 1999, such as certain increases in insurance reserves, environmental reserves, loss contract provisions and adjustments resulting from completing account reconciliations, are recurring in nature, and should therefore be expected to occur in future periods. Additionally, certain of these charges and adjustments, including receivables-related adjustments and insurance reserves, could have an impact on future cash flows.

Because some of the charges discussed above affect account balances applicable to periods prior to the third quarter 1999, the Company concluded, after consultation with its independent public accountants, that its internal controls for the preparation of interim financial information did not provide an adequate basis for its independent public accountants to complete reviews of the quarterly financial data for the quarters in 1999.

The Company has taken steps to stabilize its accounting systems and its internal control environment. However, there can be no assurances that there will not be any additional material adjustments based on future events or that the Company will be able to successfully stabilize its accounting systems and procedures; any such failure could result in additional material charges and adjustments in the future. See "Management's Discussion and Analysis -- 1999 Accounting Charges and Adjustments."

The Company May Encounter Difficulties in Implementing its Strategic Plan

The Company's ability to successfully implement its strategic plan may be affected by the willingness of prospective purchasers to purchase the assets the Company identifies as divestiture candidates on terms the Company finds acceptable, the timing and terms on which such assets may be sold, uncertainties relating to regulatory approvals and other factors affecting the ability of prospective purchasers to consummate such transactions. The success of the strategic plan could also be affected by the availability of financing and uncertainties relating to the impact of the proposed strategic plan on the Company's credit ratings and, consequently, the availability and cost of debt and equity financing to the Company.

Potential Difficulties in Continuing to Manage Growth

The Company has experienced rapid growth, primarily through acquisitions. The Company's future financial results and prospects depend in large part on its ability to successfully manage and improve the operating efficiencies and productivity of these acquired operations. In particular, whether the anticipated benefits of acquired operations are ultimately achieved will depend on a number of factors, including the

ability of the Company to achieve administrative cost savings, rationalization of collection routes, insurance and bonding cost reductions, general economies of scale, and the ability of the Company, generally, to capitalize on its asset base and strategic position. Moreover, the ability of the Company to operate successfully will depend on a number of factors, including competition from other waste management companies, availability of working capital, ability to maintain margins on existing or acquired operations, and the management of costs in a changing regulatory environment. There can be no assurance that the Company will be able to successfully manage its growth or that the historic pace of its growth will not adversely affect its existing or acquired operations.

Potential Risks of Acquisition Strategy

The Company has regularly pursued opportunities to expand through the acquisition of additional waste management businesses and continues to pursue operations that can be effectively integrated with the Company's existing operations. In addition, the Company has historically pursued mergers and acquisition transactions, several of which have been significant, in new areas where the Company believes that it can successfully become a provider of integrated waste management services.

The Company's acquisition strategy involves certain potential risks, which are continuing. These include the risk that the Company may not accurately assess all of the pre-existing liabilities of acquired companies and that the Company may encounter unexpected difficulties in successfully integrating the operations of acquired companies with the Company's existing operations.

International Operations

Operations in foreign countries generally are subject to a number of risks inherent in any business operating in foreign countries, including political, social, economic instability and inflation, general strikes, nationalization of assets, currency restrictions and exchange rate fluctuations, nullification, modification or renegotiation of contracts, and governmental regulation, all of which are beyond the control of the Company. No prediction can be made as to how existing or future foreign governmental regulations in any jurisdiction may affect the Company in particular or the waste management industry in general. As part of its strategic plan, the Company is pursuing the divestiture of its WM International operations. See "Business -- WM International."

Capital Requirements; Indebtedness Under Credit Facilities

The Company expects to generate sufficient cash flow from its operations in 2000 to cover its anticipated cash needs for capital expenditures and acquisitions. If the Company's cash flow from operations during 2000 is less than currently expected, or if the Company's capital requirements increase, either due to strategic decisions or otherwise, the Company may elect to incur future indebtedness to cover any additional capital needs. However, there can be no assurance that the Company will be successful in obtaining additional capital on acceptable terms through such debt incurrences.

The Company's current credit facilities require the Company to maintain compliance with certain financial ratios. If the Company's cash flows from operations are less than expected or the Company's capital requirements increase, the Company may not be in compliance with such ratios, resulting in a default under the credit agreements. If any such default occurs, the Company may not be able to obtain waivers or secure amendments to the facilities, and the lenders could elect to declare all borrowings outstanding to be due and payable. If the Company's indebtedness under its credit facilities were to be accelerated, there can be no assurances that the Company could repay such indebtedness in full. Since the Company is partially dependent on the credit facilities to fund its borrowing needs, any such default would have a material adverse effect on the Company's financial condition and results of operations.

There can also be no assurances that the Company will be successful in renewing its existing credit facility, which must be renewed annually, or that any such renewal will be on terms acceptable to the Company. Any failure by the Company to successfully renew its existing credit facility, or to obtain other

financing sources, could have a material adverse effect on the Company's operations and financial statements. See Note 6 to the financial statements included elsewhere herein.

The Company has historically used variable rate debt under revolving bank credit arrangements as one method of financing. Although recent financings by the Company have reduced the amount of variable rate debt as a percentage of total indebtedness outstanding, the Company intends to continue to use variable rate debt as a financing alternative. To the extent that variable interest rates fluctuate as general interest rates change, an increase in interest rates could have a material adverse effect on the Company's earnings in the future.

Effect of Competition on Profitability

The waste management industry is highly competitive. In North America, the industry consists of several large national waste management companies, and numerous local and regional companies of varying sizes and financial resources. The Company competes with numerous waste management companies and with counties and municipalities that maintain their own waste collection and disposal operations. These counties and municipalities may have financial competitive advantages because tax revenues and tax-exempt financing are available to them. In addition, competitors may reduce their prices to expand sales volume or to win competitively bid municipal contracts. Profitability may decline because of the national emphasis on recycling, composting, and other waste reduction programs that could reduce the volume of solid waste collected or deposited in disposal facilities.

Although the Company is a leading provider of waste management and related services outside of North America, the Company does not believe that any non-governmental entity accounts for a material portion of the very decentralized, highly fragmented international business. In some areas, however, the Company competes with substantial, well-capitalized companies which hold significant market shares, particularly in Finland, Germany, The Netherlands, Sweden and the United Kingdom. The international waste management and related services industry is highly competitive and certain aspects require substantial human and capital resources. The Company encounters intense competition from governmental, quasi-governmental and private sources in all aspects of its international operations. However, as part of its strategic plan, the Company has determined to divest its international operations. See "Business -- WM International."

Capitalized Expenditures

In accordance with generally accepted accounting principles, the Company capitalizes certain expenditures and advances relating to acquisitions, pending acquisitions, and disposal site development and expansion projects. The Company expenses indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, as incurred. The Company's policy is to charge against earnings any unamortized capitalized expenditures and advances relating to any facility or operation that is permanently shut down, any pending acquisition that is not consummated, and any disposal site development or expansion project that is not completed. The charge against earnings is reduced by any portion of the capitalized expenditure and advances that the Company estimates will be recoverable, through sale or otherwise. In future periods, the Company may be required to incur a charge against earnings in accordance with such policy. Depending on the magnitude of any such charge, it could have a material adverse effect on the Company's financial statements.

Restrictions and Costs Associated with Government Regulation

The Company's operations are substantially affected by stringent government regulations at the federal, state and local level in the United States and in other countries. These laws, rules, orders and interpretations govern environmental protection, health and safety, land use, zoning, and other matters. They may impose restrictions on operations that could adversely affect the Company's results of operations and financial condition, such as limitations on the expansion of waste disposal, transfer or processing facilities, limitations or bans on disposal of out-of-state waste or certain categories of waste, or mandates regarding the disposal of solid waste. In order to develop, expand or operate a landfill or other waste management facility, the Company

must obtain and maintain in effect various facility permits and other governmental approvals, including those relating to zoning, environmental protection and land use. These permits and approvals are difficult, time consuming and costly to obtain, in part because of possible opposition by governmental officials or citizens. In addition, these permits and approvals may contain conditions that limit operations and the Company's ability to change the facility.

There can be no assurance that the Company will be successful in obtaining and maintaining in effect permits and approvals required for the successful operation and growth of its business, including permits and approvals for the development of additional disposal capacity needed to replace existing capacity that is exhausted. The siting, design, operation and closure of landfills are also subject to extensive regulations. These regulations could also require the Company to undertake investigatory or remedial activities, to curtail operations or to close a landfill temporarily or permanently. Future changes in these regulations may require the Company to modify, supplement, or replace equipment or facilities at costs which could be substantial.

In the United States, court decisions have ruled that state and local governments may not use regulatory flow control laws constitutionally to restrict the free movement of waste in interstate commerce. The Company cannot predict what impact, if any, these decisions will have on its disposal facilities. See "Regulation."

Potential Environmental Liability and Insurance

The Company could be liable if its disposal facilities, transfer stations, and collection operations cause environmental damage to the Company's properties or to nearby landowners, particularly as a result of the contamination of groundwater sources or soil, including damage resulting from conditions existing prior to the acquisition of such assets or operations. Also, the Company could be liable for any off-site environmental contamination caused by hazardous substances, the transportation, disposal or treatment of which was arranged for by the Company or predecessor owners where the Company is liable as a successor to such prior owners. Any substantial liability for environmental damage could materially adversely affect the operating results and financial condition of the Company.

In the ordinary course of its business, the Company may become involved in a variety of legal and administrative proceedings relating to land use and environmental laws and regulations. These may include proceedings by foreign, federal, state or local agencies seeking to impose civil or criminal penalties on the Company for violations of such laws and regulations, or to impose liability on the Company under applicable statutes, or to revoke or deny renewal of a permit; actions brought by citizens groups, adjacent landowners or governmental agencies opposing the issuance of a permit or approval to the Company or alleging violations of the permits pursuant to which the Company operates or laws or regulations to which the Company is subject; and actions seeking to impose liability on the Company for any environmental damage at its owned or operated facilities (or at facilities formerly owned by the Company or its predecessors or facilities at which the Company or its predecessors arranged for the disposal of hazardous substances) or damage that those facilities or other properties may have caused to adjacent landowners or others, including groundwater or soil contamination. The adverse outcome of one or more of these proceedings could have a material adverse effect on the Company's financial position, results of operations or cash flows.

During the ordinary course of operations, the Company has from time to time received, and expects that it may in the future receive, citations or notices from governmental authorities that its operations are not in compliance with its permits or certain applicable environmental or land use laws and regulations. The Company generally seeks to work with the authorities to resolve the issues raised by such citations or notices. There can be no assurance, however, that the Company will always be successful in this regard or that such future citations or notices will not have a materially adverse effect on the Company's financial position, results of operations or cash flows. See "Regulation."

The Company's insurance for environmental liability meets or exceeds statutory requirements. However, because the Company believes that the cost for such insurance is high relative to the coverage it would provide, such coverages are generally maintained at statutorily required levels. Due to the limited nature of such insurance coverage for environmental liability, if the Company were to incur liability for environmental

damage, such liability could have a material adverse effect on the Company's financial position, results of operations or cash flows.

Alternatives to Landfill Disposal and Waste-to-Energy Facilities

Alternatives to disposal, such as recycling and composting, are increasingly being used. There also has been an increasing trend to mandate recycling and waste reduction at the source and to prohibit the disposal of certain types of wastes, such as yard wastes, at landfills or waste-to-energy facilities. These developments could reduce the volume of waste going to landfills and waste-to-energy facilities in certain areas, which may affect the Company's ability to operate its landfills and waste-to-energy facilities at full capacity, and the prices that can be charged for landfill disposal and waste-to-energy services.

Dependence on Key Personnel; Changes in Management

The Company's business is partially dependent upon the performance of certain of its executive officers. The Company has entered into employment agreements with its executive officers. Notwithstanding such agreements, there can be no assurance that the Company will be able to retain such officers or that it will be able to enforce non-compete provisions that are contained in such agreements in the event of their departure. The loss of the services of the Company's management could have a material adverse effect upon the Company. There can be no assurance that the Company will be able to attract and retain qualified individuals to serve in senior management positions. The Company is in the process of establishing a formalized management succession plan to prepare itself in the event of an unexpected departure.

Recyclable Materials Price Fluctuations

Recyclable materials processed by the Company for sale include paper, plastics, aluminum and other commodities which are subject to significant price fluctuations. These fluctuations will affect the Company's future operating revenues and income.

Matters Related to WM Holdings Accounting Practices

The United States Securities and Exchange Commission has commenced a formal investigation with respect to WM Holdings' previously filed financial statements (which were subsequently restated) and the related accounting policies, procedures and system of internal controls. The Company is fully cooperating with such investigations. Additionally, several lawsuits and claims have been filed against WM Holdings and several of its former officers and directors in connection with the restatement of WM Holdings' financial statements. The Company is unable to predict the outcome or impact of the investigation, some previously filed lawsuits or any future lawsuits or claims arising out of the restatement at this time. Any such outcome or impact could have a material adverse effect on the Company's financial position, results of operations or cash flows. See "Legal Proceedings."

Seasonality

The Company's operating revenues are usually lower in the winter months primarily because the volume of waste relating to construction and demolition activities usually increases in the spring and summer months, and the volume of industrial and residential waste in certain regions where the Company operates usually decreases during the winter months. The Company's first and fourth quarter results of operations typically reflect this seasonality.

ITEM 2. PROPERTIES.

The principal property and equipment of the Company consists of land (primarily disposal sites), buildings, waste treatment or processing facilities (other than disposal sites) and vehicles and equipment. The Company owns or leases real property in most locations in which it is doing business. Excluding the landfills that the Company had held for sale at December 31, 1999, the Company owned and operated through lease agreements 245 active disposal sites in North America, which aggregated approximately 136,100 acres of land,

including approximately 29,400 permitted acres and 6,800 acres for which the Company considers as probable expansion acreage for landfill use. Additionally, the Company operates 49 disposal sites through agreements with municipalities. At December 31, 1999, the Company had for sale an additional 62 disposal sites, consisting of 28 sites in its NASW operations and 34 sites operated through its WM International operations. The sites in North America which were held for sale at December 31, 1999 aggregated approximately 5,400 total acres, of which approximately 2,100 acres were permitted for landfill use. Furthermore, the Company owned or operated through agreements 23 waste-to-energy facilities in North America as of December 31, 1999.

The Company leases approximately 207,000 square feet of office space in Houston, Texas, for its executive offices under leasing arrangements expiring through 2008. For the year ended December 31, 1999, aggregate annual rental payments were approximately $137.7 million.

The Company owns approximately 47,000 items of equipment, including waste collection vehicles and related support vehicles, as well as bulldozers, compactors, earth movers, and other related heavy equipment and vehicles used in landfill operations. The Company has approximately 2.7 million steel containers in use, ranging from one to 45 cubic yards, and a number of stationary compactors and self-dumping hoppers.

The Company believes that its vehicles, equipment, and operating properties are well maintained and adequate for its current operations. However, the Company expects to make substantial investments in additional equipment and property for expansion, for replacement of assets, and in connection with future acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 3. LEGAL PROCEEDINGS.

In November and December 1997, several alleged purchasers of WM Holdings securities (including but not limited to common stock), who allegedly bought their securities during 1996 and 1997, brought 14 purported class action lawsuits against WM Holdings and several of its current and former officers and directors in the United States District Court for the Northern District of Illinois. Each of these lawsuits asserted that the defendants violated the federal securities laws by issuing allegedly false and misleading statements in 1996 and 1997 about WM Holdings' financial condition and results of operations. In January 1998, the 14 putative class actions were consolidated before one judge and in February 1998, WM Holdings announced a restatement of prior-period earnings for 1991 and earlier as well as for 1992 through 1996 and the first three quarters of 1997. In July 1998, the class plaintiffs filed an amended complaint against WM Holdings, its outside auditor, and five of WM Holdings' former officers. The amended complaint sought recovery on behalf of a proposed class of all purchasers of WM Holdings' securities between May 29, 1995, and October 30, 1997. The amended complaint alleged, among other things, that WM Holdings filed false and misleading financial statements beginning in 1991 and continuing through October 1997 and sought recovery for alleged violations of the federal securities laws between May 1995 and October 1997.

In December 1998, the Company announced an agreement to settle the consolidated action against all defendants and the establishment of a settlement fund of $220 million for the class of open market purchasers of WM Holdings securities between November 3, 1994, and February 24, 1998. On September 17, 1999, the United States District Court for the Northern District of Illinois gave final approval to the settlement after a hearing. There were no objections to the fairness or adequacy of the settlement fund.

In January 2000, the Company settled two actions, one pending in Illinois State court and the other in Florida Federal court, arising out of the same set of facts as the above federal action brought by open market purchasers of WM Holdings' securities.

Additionally, there are several other actions and claims, which arise out of the same set of facts, that have been brought by business owners who received WM Holdings common stock in the sales of their businesses to WM Holdings. These actions and claims allege, among other things, breach of warranty or breach of contract based on WM Holdings' restatement of earnings in February 1998. In April 1999, courts having jurisdiction over two such actions granted summary judgment against WM Holdings and in favor of the individual plaintiffs who brought the respective claims on the issue of breach of contract. Additionally, in October 1999,

the court in one of these actions certified a class consisting of all sellers of business assets to WM Holdings between January 1, 1990, and February 24, 1998, whose purchase agreements with WM Holdings contained express warranties regarding the accuracy of WM Holdings' financial statements. The Company has appealed that decision and the appeal is pending. The extent of damages, if any, in this class action has not yet been determined. The Company, however, has settled or resolved four, separate stock-for-asset disputes that otherwise would have been part of the above class, as currently defined, including the individual action identified above in which summary judgment was entered against WM Holdings.

In February and March 2000, two asset sellers who otherwise would have been included in the above class, as currently defined, brought separate actions against the Company for breach of contract and fraud, among other things. One of the suits arises out of a transaction valued at over $200 million at the time of closing in 1996, while the other involves a transaction in excess of $11 million at its closing in 1995. Both suits are in their early stages and the extent of possible damages, if any, has not yet been determined.

In December 1999, a sole plaintiff brought an action against the Company, five former officers of WM Holdings, and WM Holdings' auditors 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. The defendants have removed this action to federal court, where plaintiff is seeking a remand back to the state forum. This action is in its early stages and the extent of possible damages, if any, has not yet been determined.

Purported derivative actions have also been filed in Delaware Chancery Court by alleged former shareholders of WM Holdings against certain former officers and directors of WM Holdings and nominally against WM Holdings to recover damages caused to WM Holdings as a result of the settled consolidated federal securities class action described above. These actions have been consolidated and plaintiffs have filed a consolidated amended complaint. The plaintiffs seek to recover from the former officers and directors, on behalf of WM Holdings, the amounts paid in the federal class action as well as additional amounts based on alleged harms not at issue in the federal class action.

The Company is also aware that the United States Securities and Exchange Commission ("SEC") has commenced a formal investigation with respect to WM Holdings' previously filed financial statements (which were subsequently restated) and related accounting policies, procedures and system of internal controls. The Company intends to cooperate with such investigation. The Company is unable to predict the outcome or impact of this investigation at this time.

In March and April 1999, two former officers of WM Holdings sued the Company for retirement and other benefits. These actions are in their early stages and the extent of possible damages, if any, has not yet been determined. Additionally, a third former officer brought a similar claim, that was subsequently dismissed, in March 2000. This newest action included claims related to the decision by the board of WM Holdings to recommend the merger of WM Holdings with the Company.

On July 6, 1999, the Company announced that it had lowered its expected earnings per share for the three months ended June 30, 1999. On July 29, 1999, the Company announced a further reduction in its expected earnings for that period. On August 3, 1999, the Company announced a further reduction in its expected earnings for that period and that its reported operating income for the three months ended March 31, 1999 may have included certain unusual pretax income items. More than 20 lawsuits that purport to be based on one or more of these announcements were filed against the Company and certain of its officers and directors in the United States District Court for the Southern District of Texas. These actions have been consolidated into a single action. On September 7, 1999, a lawsuit was filed against the Company and certain of its officers and directors in the United States District Court for the Eastern District of Texas. Pursuant to a joint motion, this case was transferred to the United States District Court for the Southern District of Texas, to be consolidated with the consolidated action pending there. Taken together, the plaintiffs in these lawsuits purport to assert claims on behalf of a class of purchasers of the Company's common stock between June 10, 1998 and August 13, 1999. Among other things, the plaintiffs allege that the Company and certain of its officers and directors (i) made knowingly false earnings projections for the three months ended June 30, 1999 and (ii) failed to adequately disclose facts relating to its earnings projections that the plaintiffs allege would have

been material to purchasers of the Company's common stock. The plaintiffs also claim that certain of the Company's officers and directors sold common stock between March 31, 1999 and July 6, 1999 at prices known to be inflated by the alleged material misstatements and omissions. The plaintiffs in these actions seek damages with interest, costs and such other relief as the court deems proper.

In November 1999, an action was filed in Oregon state court by individuals who received Company common stock in the sale of their business to the Company. For reasons similar to those alleged in the class actions described in the preceding paragraph, these individuals allege that the stock they received was overvalued. The case is in an early stage and the extent of possible damages, if any, has not yet been determined.

In addition, three of the Company's shareholders have filed purported derivative lawsuits against certain officers and directors of the Company in connection with the events surrounding the Company's second quarter 1999 earnings projections and July 6, 1999 earnings announcement. Two of these lawsuits were filed in the Court of Chancery of the State of Delaware on July 16, 1999 and August 18, 1999, respectively, and one was filed in the United States District Court for the Southern District of Texas on July 27, 1999. The Delaware cases have been consolidated and the plaintiffs have filed an amended consolidated complaint. The plaintiffs in these actions purport to allege derivative claims on behalf of the Company against these individuals for alleged breaches of fiduciary duty resulting from their alleged common stock sales during the three months ended June 30, 1999 and/or their oversight of the Company's affairs. The lawsuits name Waste Management, Inc. as a nominal defendant and seek compensatory and punitive damages with interest, equitable and/or injunctive relief, costs and such other relief as the respective courts deem proper. The defendants have not yet been required to respond to the complaints.

On December 29, 1999, the Company sued Louis D. Paolino, former President and Chief Executive Officer of Eastern Environmental Services, Inc. ("Eastern"), and others in federal court in Delaware in connection with the Company's merger with Eastern in December 1998 (the "Eastern Merger"). The Company alleges, among other things, that defendants artificially inflated the revenues of Eastern by employing improper accounting practices and usurped Eastern corporate opportunities for personal gain. The Company alleges that the inflated Eastern financials caused the Company to pay substantially more than Eastern was worth. The defendants in this case have not yet filed a response to the complaint.

In a related matter, on December 31, 1999, Louis D. Paolino and others sued the Company and unnamed defendants in Philadelphia for securities fraud in connection with the Eastern Merger. Plaintiffs allege that the Company's stock that they were issued in connection with the Eastern Merger was over-valued because the Company failed to disclose that it was having problems integrating the operations of WM Holdings and the Company after the WM Holdings Merger. As none of the defendants has been served in this action, no responsive pleadings have yet been filed.

The Company is aware of a lawsuit filed in state court in Houston, Texas by several related shareholders against the Company and three of its former officers. The petition alleges that the plaintiffs are substantial shareholders of the Company's common stock who intended to sell their stock in 1999, but that the individual defendants made false and misleading statements regarding the Company's prospects that induced the plaintiffs to retain their stock. Plaintiffs assert that the value of their retained stock declined dramatically. Plaintiffs asserted claims for fraud, negligent misrepresentation, and conspiracy. As neither the Company nor the individual defendants have been served in this action, the defendants have filed no responsive pleadings in the action.

The Company has also received a letter from participants in the Company's Employee Stock Purchase Plan (the "ESPP") who purchased the Company's common stock on June 30, 1999. The letter demands that the Administrative Committee of the ESPP bring an action against the Company and certain selling officers and directors for losses allegedly sustained by the participants in their stock purchases. These ESPP participants stated in the letter that, absent action by the Administrative Committee of the ESPP, they intended to sue the Company and the directors and officers on behalf of the ESPP and its participants. The Administrative Committee of the ESPP has advised these participants that it cannot file suit, as requested, because the committee is neither a representative of the plan nor a Waste Management shareholder. The

Company has not received any further communication from these participants. However, the Company does not believe that this claim, if pursued, would have a material adverse effect on the Company's financial statements.

In addition, the SEC has notified the Company of an informal inquiry into the period ended June 30, 1999, as well as certain sales of the Company's common stock that preceded the Company's July 6, 1999 earnings announcement.

The New York Stock Exchange has notified the Company that its Market Trading Analysis Department is reviewing transactions in the common stock of the Company prior to the July 6, 1999 earnings forecast announcement.

The Company is conducting a thorough investigation of each of the allegations that have been made in connection with the Company's second quarter 1999 earnings communications. As part of this investigation, the Company's Board of Directors has authorized a review of the allegations that have been made against certain of the Company's officers and directors. Roderick M. Hills, a former chairman of the SEC and chairman of the Company's Audit Committee, is directing the review.

The Company received a Civil Investigative Demand ("CID") from the Antitrust Division of the United States Department of Justice in July 1999 inquiring into the Company's non-hazardous solid waste operations in the State of Massachusetts. The CID purports to have been issued for the purpose of determining whether the Company has engaged in monopolization, illegal contracts in restraint of trade, or anticompetitive acquisitions of disposal and/or hauling assets. The CID requires the Company to provide the United States Department of Justice with certain documents to assist it in its inquiry with which the Company is fully cooperating.

On July 16, 1999, a lawsuit was filed against the Company in the Circuit Court for Sumter County in the State of Alabama. The plaintiff in the lawsuit purported to allege on behalf of a class of similarly situated persons that the Company has deprived the class of lump sum payments of pension plan benefits allegedly promised to be paid in connection with termination of the Plan. On behalf of the purported class, the plaintiff sought compensatory and punitive damages, costs, restitution with interest, and such relief as the Court deemed proper. On July 29, 1999, the Company announced that it had determined to proceed with the termination of the Plan, liquidating the Plan's assets and settling its obligations to participants. The plaintiff voluntarily dismissed her case on September 13, 1999. However, that same day, the same attorneys filed another Plan-related putative class action against the Company and various individual defendants in the United States District Court for the Middle District of Alabama, Northern Division. This case, brought by a different putative class representative, alleges that the defendants violated the federal Employee Retirement Income Security Act ("ERISA") by failing to terminate the Plan in accordance with its terms, by failing to manage Plan assets prudently and in the interests of Plan participants, and by delaying the Plan's termination date and the expected distribution of lump-sum pension benefits. On behalf of the purported class, the plaintiff seeks declaratory and injunctive relief, restitution of all losses and expenses allegedly incurred by the Plan, payment of all benefits allegedly owed to Plan participants, attorney's fees and costs, and other "appropriate" relief under the Internal Revenue Code, ERISA and the Plan. Defendants' time to move, answer or otherwise respond to the complaint has been extended, and no proceedings have yet occurred.

The continuing business in which the Company is engaged is intrinsically connected with the protection of the environment and the potential for the unintended or unpermitted discharge of materials into the environment. In the ordinary course of conducting its business activities, the Company becomes involved in judicial and administrative proceedings involving governmental authorities at the foreign, federal, state, and local level, including, in certain instances, proceedings instituted by citizens or local governmental authorities seeking to overturn governmental action where governmental officials or agencies are named as defendants together with the Company or one or more of its subsidiaries, or both. In the majority of the situations where proceedings are commenced by governmental authorities, the matters involved related to alleged technical violations of licenses or permits pursuant to which the Company operates or is seeking to operate or laws or regulations to which its operations are subject or are the result of different interpretations of applicable requirements. From time to time, the Company pays fines or penalties in environmental proceedings relating

primarily to waste treatment, storage or disposal facilities. As of December 31, 1999, there were six proceedings involving Company subsidiaries where the sanctions involved could potentially exceed $100,000. The Company believes that these matters will not have a material adverse effect on its results of operations or financial condition. However, the outcome of any particular proceeding cannot be predicted with certainty, and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies or other factors could materially alter this expectation at any time.

From time to time, the Company and certain of its subsidiaries are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of a Company's subsidiary having owned, operated or transported waste to a disposal facility which is alleged to have contaminated the environment or, in certain cases, conducted environmental remediation activities at sites. Some of such lawsuits may seek to have the Company or its subsidiaries pay the costs of groundwater monitoring and health care examinations of allegedly affected persons for a substantial period of time even where no actual damage is proven. While the Company believes it has meritorious defenses to these lawsuits, their ultimate resolution is often substantially uncertain due to the difficulty of determining the cause, extent and impact of alleged contamination (which may have occurred over a long period of time), the potential for successive groups of complainants to emerge, the diversity of the individual plaintiffs' circumstances, and the potential contribution or indemnification obligations of co-defendants or other third parties, among other factors. Accordingly, it is possible such matters could have a material adverse impact on the Company's financial statements.

The Company or certain of its subsidiaries have been identified as potentially responsible parties in a number of governmental investigations and actions relating to waste disposal facilities which may be subject to remedial action under CERCLA or Superfund, as amended. The majority of these proceedings are based on allegations that certain subsidiaries of the Company (or their predecessors) transported hazardous substances to the sites in question, often prior to acquisition of such subsidiaries by the Company. CERCLA generally provides for joint and several liability for those parties owning, operating, transporting to or disposing at the sites. Such proceedings arising under Superfund typically involve numerous waste generators and other waste transportation and disposal companies and seek to allocate or recover costs associated with site investigation and cleanup, which costs could be substantial and could have a material adverse effect on the Company's financial statements.

In June 1999, the Company was notified that the EPA is conducting a civil investigation of alleged chlorofluorocarbons ("CFC") disposal violations by Waste Management of Massachusetts, Inc. ("WMMA"), one of the Company's wholly owned subsidiaries, to determine whether further enforcement measures are warranted. The activities giving rise to the allegations of CFC disposal violations appear to have occurred prior to July 30, 1998. On July 29, 1998, the EPA inspected WMMA's operations, notified the Company of the alleged violations and issued an Administrative Order in January 1999 requiring WMMA to comply with the CFC regulations. WMMA is cooperating with the investigation and the Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial statements.

In August 1999, sludge materials from trucks entering the Company's Woodland Meadows Landfill in Michigan were seized by the Federal Bureau of Investigation ("FBI") pursuant to an investigation of the generator of the sludge materials, a company that provides waste treatment services. Subsequently, the Company received two Grand Jury subpoenas as well as requests for information from the Michigan Department of Environmental Quality, seeking information related to the landfill's waste acceptance practices and the Company's business relationship with the generator. According to affidavits attached to the subpoena, the generator's treatment plant was sold by the Company to the generator in May 1998. The Company is cooperating with the pending investigation and believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial statements.

As of December 31, 1999, the Company or its subsidiaries had been notified that they are potentially responsible parties in connection with 84 locations listed on the NPL. Of the 84 NPL sites at which claims have been made against the Company, 17 are sites which 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 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 67 NPL sites at which claims have been made against the Company and which 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 impact on the Company's financial statements.

In November 1998, the Company was sued by the estate of Shayne Conner, who died on November 24, 1995 in Greenland, New Hampshire. Plaintiffs allege that Mr. Conner's death was caused by biosolids that were applied to a nearby field by Wheelabrator's BioGro business unit. The litigation is currently in the discovery phase, and the Company is waiting for plaintiff's production of a court-ordered expert on causation. The Company is vigorously defending itself in the litigation.

The Company has been advised by the United States Department of Justice that Laurel Ridge Landfill, Inc., a wholly owned subsidiary of the Company as a result of the merger with United Waste Systems, Inc. ("United") in August 1997 (the "United Merger"), allegedly committed certain violations of the Clean Water Act at the Laurel Ridge Landfill in Kentucky. The alleged activities occurred prior to the United Merger. In May 1999, the Company pleaded guilty to a criminal misdemeanor and was sentenced in November 1999 to pay a fine of $100,000 and perform in kind services valued at $1.0 million.

In February 1999, a San Bernardino County, California grand jury returned an amended felony indictment against the Company, certain of its subsidiaries and their current or former employees, and a County employee. The proceeding is based on events that allegedly occurred prior to the WM Holdings Merger in connection with a WM Holdings landfill development project. The indictment includes allegations that certain of the defendants engaged in conduct involving fraud, wiretapping, theft of a trade secret and manipulation of computer data, and that they engaged in a conspiracy to do so. If convicted, the most serious of the available sanctions against the corporate defendants would include substantial fines and forfeitures. The Company believes that meritorious defenses exist to each of the allegations, and the defendants are vigorously contesting them. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial statements.

The Company has brought suit against a substantial number of 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. In this action, the Company is seeking a declaratory judgment that environmental liabilities asserted against the Company or its subsidiaries, or that may be asserted in the future, are covered by insurance policies purchased by the Company or its subsidiaries. The Company is also seeking to recover defense costs and other damages incurred as a result of the assertion of environmental liabilities against the Company or its subsidiaries for events occurring over at least the last 25 years at approximately 140 sites and the defendant insurance carriers' denial of coverage of such liabilities. While the Company has reached settlements with some of the carriers, the remaining defendants have denied liability to the Company and have asserted various defenses, including that environmental liabilities of the type for which the Company is seeking relief are not risks covered by the insurance policies in question. The remaining defendants are contesting these claims vigorously. Discovery is complete as to the 12 sites in the first phase of the case and discovery is expected to continue for several years as to the remaining sites. Currently, trial dates have not been set. The Company is unable at this time to predict the outcome of this proceeding. No amounts have been recognized in the Company's financial statements for potential recoveries.

It is not possible at this time to predict the impact that the above lawsuits, proceedings, investigations and inquiries may have on WM Holdings or the Company, nor is it possible to predict whether any other suits or claims may arise out of these matters in the future. 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 WM Holdings intend to defend themselves vigorously in all the above matters.

The Company and certain of its subsidiaries are also currently involved in other 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 have a material adverse impact on the Company's financial statements.

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

No matters were submitted to the stockholders of the Company during the fourth quarter of 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "WMI." The following table sets forth the range of the high and low per share sales prices for the common stock as reported on the NYSE Composite Tape.

	HIGH	LOW
1998		
First Quarter	$46.88	$34.44
Second Quarter	50.00	44.69
Third Quarter	58.19	42.88
Fourth Quarter	48.88	35.25
1999		
First Quarter	$53.50	$41.88
Second Quarter	60.00	44.75
Third Quarter	55.44	18.13
Fourth Quarter	19.75	14.00
2000		
First Quarter (through March 15, 2000)	$18.50	$13.00

On March 15, 2000, the closing sale price as reported on the NYSE was $13.25 per share. The number of holders of record of common stock based on the transfer records of the Company at March 15, 2000, was 30,543.

As of December 31, 1999, the Company is limited in its ability to pay dividends pursuant to its current credit agreements to amounts not to exceed $25.0 million per year. The Company declared and paid cash dividends of $0.01 per share, or approximately $6.2 million during 1999. See Note 10 to the financial statements included elsewhere herein.

The Company effected the following unregistered sale of its securities during the twelve months ended December 31, 1999 that was not previously included in the Company's Quarterly Reports filed for such period. The securities sold in the transaction referred to below were not registered under the Securities Act of 1933, as amended, pursuant to the exemption provided under Section 4(2) thereof for transactions not involving a public offering:

On September 13, 1999, the Company granted to Roderick M. Hills, a member of the Company's Board of Directors and Chairman of the Board of Directors' Audit Committee, 35,000 shares of restricted stock for extraordinary services performed by Mr. Hills in 1999.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial information as of December 31, 1999 and 1998, and for each of the years in the three year period ended December 31, 1999, has been derived from the audited financial statements of the Company included elsewhere herein. This information should be read in conjunction with such financial statements and related notes thereto. The selected financial information as of December 31, 1997, 1996 and 1995, and for each of the years in the two year period ended December 31, 1996, has been derived from audited financial statements, that have been previously included in the Company's reports under the Securities Exchange Act of 1934 (the "Exchange Act"), restated for certain pooling of interests transactions that are not included herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED DECEMBER 31,				
	1999	1998	1997	1996	1995
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
STATEMENT OF OPERATIONS DATA:					
Operating revenues	$13,126,920	$12,625,769	$11,972,498	$10,998,602	$10,432,775
Costs and expenses:					
Operating (exclusive of depreciation and amortization shown below)	8,269,021	7,283,251	7,482,273	6,564,234	6,261,745
General and administrative	1,920,309	1,332,736	1,438,501	1,316,480	1,279,719
Depreciation and amortization	1,614,165	1,498,712	1,391,810	1,264,196	1,186,492
Merger costs and acquisition related	44,634	1,807,245	112,748	126,626	26,539
Asset impairments and unusual items	738,837	864,063	1,771,145	529,768	394,092
(Income) loss from continuing operations held for sale, net of minority interest	--	151	9,930	(315)	(25,110)
	12,586,966	12,786,158	12,206,407	9,800,989	9,123,477
Income (loss) from operations	539,954	(160,389)	(233,909)	1,197,613	1,309,298
Other income (expense):					
Interest expense	(769,655)	(681,457)	(555,576)	(525,340)	(534,964)
Interest income	38,497	26,829	45,214	34,603	41,565
Minority interest	(24, 181)	(24,254)	(45,442)	(41,289)	(81,367)
Other income, net	52,653	139,392	127,216	108,645	257,773
	(702,686)	(539,490)	(428,588)	(423,381)	(316,993)
Income (loss) from continuing operations before income taxes	(162,732)	(699,879)	(662,497)	774,232	992,305
Provision for income taxes	232,319	66,923	363,341	486,700	493,375
Income (loss) from continuing operations	(395,051)	(766,802)	(1,025,838)	287,532	498,930
Income (loss) from discontinued operations	--	--	95,688	(263,301)	4,863
Extraordinary item	(2,513)	(3,900)	(6,809)	--	--
Accounting change	--	--	(1,936)	--	--
Net income (loss)	$ (397,564)	$ (770,702)	$ (938,895)	$ 24,231	$ 503,793
Basic earnings (loss) per common share:					
Continuing operations	$ (0.64)	$ (1.31)	$ (1.84)	$ 0.54	$ 0.99
Discontinued operations	--	--	0.17	(0.49)	0.01
Extraordinary item	(0.01)	(0.01)	(0.01)	--	--
Accounting change	--	--	--	--	--
Net income (loss)	$ (0.65)	$ (1.32)	$ (1.68)	$ 0.05	$ 1.00
Diluted earnings (loss) per common share:					
Continuing operations	$ (0.64)	$ (1.31)	$ (1.84)	$ 0.53	$ 0.97
Discontinued operations	--	--	0.17	(0.49)	0.01
Extraordinary item	(0.01)	(0.01)	(0.01)	--	--
Accounting change	--	--	--	--	--
Net income (loss)	$ (0.65)	$ (1.32)	$ (1.68)	$ 0.04	$ 0.98
BALANCE SHEET DATA (AT END OF PERIOD):					
Working capital (deficit)	$(1,268,910)	$ (412,269)	$(1,967,278)	$ (258,210)	$(1,027,093)
Intangible assets, net	5,356,677	6,250,324	4,848,176	4,681,381	4,329,909
Total assets	22,681,424	22,882,164	20,156,424	20,727,524	19,950,426
Long-term debt, including current maturities	11,498,088	11,732,361	9,479,961	9,064,566	8,404,034
Stockholders' equity	4,402,612	4,372,496	3,854,929	5,201,610	5,184,104

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of the Company's operations for the three years ended December 31, 1999 should be read in conjunction with the Company's financial statements and related notes thereto included elsewhere herein.

The discussion below and elsewhere in this Form 10-K includes statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. These include statements that describe anticipated revenues, capital expenditures and other financial items, statements that describe the Company's business plans and objectives, and statements that describe the expected impact of competition, government regulation, litigation and other factors on the Company's future financial condition and results of operations. The words "may," "should," "expect," "believe," "anticipate," "project," "estimate," and similar expressions are intended to identify forward-looking statements. Such risks and uncertainties, any one of which may cause actual results to differ materially from those described in the forward-looking statements, include or relate to, among other things:

- the impact of pending or threatened litigation and/or governmental inquiries and investigation involving the Company.

- the Company's ability to stabilize its accounting systems and procedures and maintain stability.

- the uncertainties relating to the Company's proposed strategic initiative, including the willingness of prospective purchasers to purchase the assets the Company identifies as divestiture candidates on terms the Company finds acceptable, the timing and terms on which such assets may be sold, uncertainties relating to regulatory approvals and other factors affecting the ability of prospective purchasers to consummate such transactions, including the availability of financing and uncertainties relating to the impact of the proposed strategic initiative on the Company's credit ratings and consequently the availability and cost of debt and equity financing to the Company.

- the Company's ability to successfully integrate the operations of acquired companies with its existing operations, including risks and uncertainties relating to its ability to achieve projected earnings estimates, achieve administrative and operating cost savings and anticipated synergies, rationalize collection routes, and generally capitalize on its asset base and strategic position through its strategy of decentralized decision making; and the risks and uncertainties regarding government-forced divestitures.

- the Company's ability to continue its expansion through the acquisition of other companies, including, without limitation, risks and uncertainties concerning the availability of desirable acquisition candidates, the availability of debt and equity capital to the Company to finance acquisitions, the ability of the Company to accurately assess the pre-existing liabilities and assets of acquisition candidates and the restraints imposed by federal and state statutes and agencies respecting market concentration and competitive behavior.

- the effect of competition on the Company's ability to maintain margins on existing or acquired operations, including uncertainties relating to competition with government owned and operated landfills which enjoy certain competitive advantages from tax-exempt financing and tax revenue subsidies.

- the potential impact of environmental and other regulation on the Company's business, including risks and uncertainties concerning the ultimate cost to the Company of complying with final closure requirements and post-closure liabilities associated with its landfills and other environmental liabilities associated with disposal at third party landfills and the ability to obtain and maintain permits necessary to operate its facilities, which may impact the life, operating capacity and profitability of its landfills and other facilities.

- the Company's ability to generate sufficient cash flows from operations to cover its cash needs, the Company's ability to obtain additional capital if needed and the possible default under credit facilities if cash flows are lower than expected or capital expenditures are greater than expected.

- the potential changes in estimates from ongoing analysis of site remediation requirements, final closure and post-closure issues, compliance and other audits and regulatory developments.

- the effectiveness of changes in management and the ability of the Company to retain qualified individuals to serve in senior management positions.

- the effect of price fluctuations of recyclable materials processed by the Company.

- certain risks that are inherent in operating in foreign countries that are beyond the control of the Company, including but not limited to political, social, and economic instability and government regulations.

- the potential impairment charges against earnings related to long-lived assets which may result from possible future business events.

- the effect that recent trends regarding mandating 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 potential impact of government regulation on the Company's ability to obtain and maintain necessary permits and approvals required for operations.

INTRODUCTION

Strategic Plan

In August 1999, the Company's Board of Directors adopted a strategic plan that is intended to enhance value for its shareholders, customers, and employees. The plan's major elements are to:

- Dispose of the Company's non-strategic and under-performing assets, including the Company's WM International operations, its non-core assets and up to 10% of its NASW assets.

- Maintain or improve the Company's long-term investment grade characteristics while using disposition proceeds for debt repayment, repurchases of shares and selected tuck-in acquisitions.

- Bring more discipline and accountability to the enterprise while continuing the Company's decentralized business model, which puts authority close to the customer.

- Restore a disciplined capital allocation philosophy that focuses on profits as opposed to growth.

- Give employees the tools they need to do their jobs, including updated and more efficient information systems.

General

Waste Management is one of the largest publicly-owned companies providing integrated waste management services in North America and internationally. In North America, the Company provides solid waste management services throughout the United States and Puerto Rico, as well as in Canada and Mexico, including collection, transfer, recycling and resource recovery services, and disposal services. In addition, the Company is a leading developer, operator and owner of waste-to-energy facilities in the United States. The Company also engages in hazardous waste management services throughout North America, as well as low-level and other radioactive waste services.

Internationally, the Company operates throughout Europe, the Pacific Rim, and South America. Included in the Company's International operations is the collection and transportation of solid, hazardous and medical wastes and recyclable materials, and the treatment and disposal of recyclable materials. The Company also operates solid and hazardous waste landfills, municipal and hazardous waste incinerators, water and waste water treatment facilities, hazardous waste treatment facilities, waste-fuel powered independent power facilities, and constructs treatment or disposal facilities for third parties internationally.

The Company's diversified customer base for its NASW operations, was approximately 27 million customers as of December 31, 1999. This customer base includes commercial, industrial, municipal and residential customers, other waste management companies, governmental entities and independent power markets, with no single customer accounting for more than 5% of the Company's operating revenues during 1999. The Company employed approximately 75,000 people as of December 31, 1999 of which approximately 55,000 related to its NASW operations.

The Company's operating revenues from waste management operations consist primarily of fees charged for its collection and disposal services. Operating revenues for collection services include fees from residential, commercial, industrial, and municipal collection customers. A portion of these fees are billed in advance; a liability for future service is recorded upon receipt of payment and operating revenues are recognized as services are actually provided. Fees for residential and municipal collection services are normally based on the type and frequency of service. Fees for commercial and industrial services are normally based on the type and frequency of service and the volume of waste collected. The Company's operating revenues from its disposal operations consist of disposal fees (known as tipping fees) charged to third parties and are normally billed monthly or semi-monthly. Tipping fees are based on the volume of waste being disposed of at the Company's disposal facilities. Fees are charged at transfer stations based on the volume of waste deposited, taking into account the Company's cost of loading, transporting, and disposing of the solid waste at a disposal site. Intercompany revenues between the Company's operations have been eliminated in the consolidated financial statements presented elsewhere herein.

Operating expenses from waste management operations include direct and indirect labor and the related taxes and benefits, fuel, maintenance and repairs of equipment and facilities, tipping fees paid to third party disposal facilities, and accruals for future landfill final closure and post-closure costs. Certain direct development expenditures are capitalized and amortized over the estimated useful life of a site as capacity is consumed, and include acquisition, engineering, upgrading, construction, capitalized interest, and permitting costs. All indirect expenses, such as administrative salaries and general corporate overhead, are expensed in the period incurred. At times, the Company receives reimbursements from insurance carriers relating to past and future environmentally related remedial, defense and tort claim costs at a number of the Company's sites. Such recoveries are included in operating costs and expenses as an offset to environmental expenses.

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

Depreciation and amortization include (i) amortization of the excess of cost over net assets of acquired businesses on a straight-line basis over a period not greater than 40 years commencing on the dates of the respective acquisitions; (ii) amortization of other intangible assets on a straight-line basis from 3 to 40 years; (iii) depreciation of property and equipment on a straight-line basis from 3 to 40 years; and (iv) amortization of landfill costs on a units-of-consumption method as landfill airspace is consumed over the estimated remaining capacity of a site. The remaining capacity of a site is determined by the unutilized permitted airspace and expansion airspace when the success of obtaining such an expansion is considered probable. Effective as of the third quarter of 1999, the Company applied a newly defined, more stringent set of criteria for evaluating the probability of obtaining an expansion to landfill airspace at existing sites, which are as follows:

- Personnel are actively working to obtain land use, 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;

- The respective landfill owners or the Company has 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 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 from 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 an approval from the Company's Chief Financial Officer and prompt review by the Audit Committee of the Board of Directors. Such exceptions at 34 landfill locations at December 31, 1999 were generally due to permit application processes beyond the one-year limit, which in most cases, were due to state-specific permitting procedures. Generally, the Company has been successful in receiving approvals for expansions pursued; however, there can be no assurance that the Company will be successful in obtaining landfill expansions in the future.

As disposal volumes are affected by seasonality and competitive factors, airspace amortization varies from period to period due to changes in volumes of waste disposed at the Company's landfills. Airspace amortization is also affected by changes in engineering and cost estimates.

1999 Accounting Charges and Adjustments

During 1999, the Company initiated a comprehensive internal review of its accounting records, systems, processes and controls at the direction of its Board of Directors. As discussed below, and in Note 2 to the financial statements, the Company experienced significant difficulty in the integration and conversion of information and accounting systems subsequent to the WM Holdings Merger, including certain financial systems and its billing systems. As a result of these systems and process issues, and other issues raised during the 1999 accounting review, certain charges and adjustments were recorded, as discussed below. The review was completed in time such that the Company was able to record related adjustments in its financial statements for the quarter ended September 30, 1999. The amounts recorded by the Company as a result of the review had a material effect on its financial statements for the year ended December 31, 1999. The following is a summary of charges attributable to this review which were recorded for the quarter ended September 30, 1999 (in thousands):

Held for sale adjustments		$ 414,275
Increase to allowance for doubtful accounts and other accounts receivable adjustments		211,483
Asset impairments (excluding held for sale adjustments)		178,309
Insurance reserves and other insurance adjustments		147,868
Legal, severance and consulting accruals		141,999
Merger and acquisition related costs		31,568
Other charges and adjustments, including:		
Account reconciliations	347,668	
Loss contract reserve adjustments	49,338	
Increase in environmental liabilities	48,983	
Other	191,026	637,015
Impact of charges before income tax benefit		1,762,517
Income tax benefit		(536,756)
After-tax charges		$1,225,761

The charges described above, which include both recurring and nonrecurring items that have been aggregated for this presentation, are reflected in the Company's financial statements for the year ended December 31, 1999, as follows (in thousands):

	HELD-FOR-SALE ADJUSTMENTS	ALLOWANCE FOR DOUBTFUL ACCOUNTS AND OTHER ACCOUNTS RECEIVABLE ADJUSTMENTS	OTHER ASSET IMPAIRMENTS	INSURANCE RESERVES AND OTHER INSURANCE ADJUSTMENTS	LEGAL, SEVERANCE AND CONSULTING ACCRUALS	MERGER AND ACQUISITION RELATED COSTS
Operating revenues	$ --	$ (44,164)	$ --	$ --	$ --	$ --
Costs and expenses:						
Operating (exclusive of depreciation and amortization shown below)	--	--	--	143,086	--	--
General and administrative	--	167,319	--	4,782	57,599	--
Depreciation and amortization	--	--	--	--	--	--
Merger and acquisition related costs	--	--	--	--	--	31,568
Asset impairments and unusual items	414,275	--	178,309	--	84,400	--
Loss from continuing operations held for sale, net of minority interest	--	--	--	--	--	--
	414,275...	167,319	178,309	147,868	141,999	31,568
Loss from operations	(414,275)	(211,483)	(178,309)	(147,868)	(141,999)	(31,568)
Other income (expense)						
Interest expense	--	--	--	--	--	--
Interest income	--	--	--	--	--	--
Minority interest	--	--	--	--	--	--
Other income (expense)	--	--	--	--	--	--
	--	--	--	--	--	--
Loss before income taxes and extraordinary items	$(414,275)	$(211,483)	$(178,309)	$(147,868)	$(141,999)	$(31,568)
Benefit from income taxes						
Net loss						

	OTHER CHARGES AND ADJUSTMENTS	TOTAL (INCLUDES RECURRING AND NON-RECURRING ITEMS)
Operating revenues	$ 13,236	$ (30,928)
Costs and expenses:		
Operating (exclusive of depreciation and amortization shown below)	423,331	566,417
General and administrative	172,029	401,729
Depreciation and amortization	59,628	59,628
Merger and acquisition related costs	--	31,568
Asset impairments and unusual items	3,300	680,284
Loss from continuing operations held for sale, net of minority interest	--	--
	658,288	1,739,626
Loss from operations	(645,052)	(1,770,554)
Other income (expense)		
Interest expense	702	702
Interest income	13,359	13,359
Minority interest	(288)	(288)
Other income (expense)	(5,736)	(5,736)
	8,037	8,037
Loss before income taxes and extraordinary items	$(637,015)	(1,762,517)
Benefit from income taxes		536,756
Net loss		$(1,225,761)

Subsequent to the completion of the accounting review, and in conjunction

with the process of preparing its monthly financial statements during the fourth quarter of 1999 and on a final basis at December 31, 1999, additional adjustments attributable to the reconciliation of intercompany accounts, cash, accounts receivable, fixed assets, accounts payable and certain other accounts were recorded.

The Company recorded significant adjustments in the third and fourth quarters of 1999, certain of which affect periods prior to these quarters. Accordingly, the Company, after consultation with its independent public accountants, has concluded that its internal controls for the preparation of interim financial information did not provide an adequate basis for its independent public accountants to complete reviews of the quarterly financial data for the quarters during 1999. The Company believes that certain charges that were recorded in the third and fourth quarters of 1999 may relate to individual prior periods; however, the Company does not have sufficient information to identify all specific charges attributable to prior periods. If identification of all specific charges attributable to individual prior periods were possible, the Company believes that the reported results of operations presented in Note 20 to the financial statements for the third and fourth quarters of 1999 would have been favorably impacted, and the reported results of operations for the first and second quarters of 1999 would have been adversely impacted. In connection with the preparation of its third quarter financial statements, the Company concluded, based on its quantitative and qualitative analysis of available information, after consultation with its independent public accountants, that it did not have, nor was it able to obtain, sufficient information to conclude what amount of the charges relate to any individual prior year,

although qualitative analysis indicates that these charges are principally related to 1999. Accordingly, the Company has concluded that these charges were appropriately reflected in the 1999 annual financial statements.

In connection with the comprehensive internal review, the Company determined that it was necessary to stabilize its accounting systems and procedures and the maintenance of its books and records, and to establish an adequate control environment. As an initial step in this process, it contracted with outside consulting accountants to provide accounting support to assist the Company's corporate and field financial personnel with the analysis necessary to prepare the Company's third quarter of 1999 financial statements. These consulting accountants also provided such assistance in the fourth quarter of 1999 and will continue to do so until the Company has the corporate and field financial resources needed to provide reasonable assurances that it can comply with the recordkeeping and internal control requirements applicable to SEC registrants. Since the third quarter of 1999, the Company has added approximately 220 staff members to its corporate and field financial personnel, including approximately 125 employees primarily engaged in receivables collection and approximately 95 employees engaged in accounting. The Company cannot estimate, at this time, how long it will take to complete the staffing and training of its corporate and field financial personnel to perform its recordkeeping responsibilities adequately without the support of outside consultants.

In addition, during this same period, the Company began taking systematic and orderly steps to develop a comprehensive program to address the integrity and reliability of the Company's reporting of financial information, including development of a long-term plan that will establish an adequate system of internal controls. As part of this initiative, the Company formulated, and is in the process of implementing, policies that establish fundamental principles and discipline respecting certain key areas, including, among other things, accounting and control of fixed assets, intercompany balances, revenue reporting, landfill accounting and account reconciliations. Consistent with its long-term plan, the Company has begun drafting and adopting policies and procedures that will establish a foundation for its financial and accounting functions to support ongoing improvements, and develop and install mechanisms for directing, controlling and monitoring its accounting and financial organization. The Company is also evaluating its systems needs with respect to, among other things, the general ledger, revenue management and payroll. The Company cannot estimate, at this time, how long it will take to completely develop and establish an adequate internal control environment.

See Note 2 to the financial statements included elsewhere herein for additional discussion.

RESULTS OF OPERATIONS

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

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

	PERIOD TO PERIOD CHANGE			
	FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998		FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997	
STATEMENT OF OPERATIONS:				
Operating revenues	$ 501,151	4.0%	$ 653,271	5.5%
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	985,770	13.5	(199,022)	(2.7)
General and administrative	587,573	44.1	(105,765)	(7.4)
Depreciation and amortization	115,453	7.7	106,902	7.7
Merger and acquisition related costs	(1,762,611)	(97.5)	1,694,497	1,502.9
Asset impairments and unusual items	(125,226)	(14.5)	(907,082)	(51.2)
Income from continuing operations held for sale, net of minority interest	(151)	(100.0)	(9,779)	(98.5)
	(199,192)	(1.6)	579,751	4.7
Income (loss) from operations	700,343	436.7	73,520	31.4
Other income (expense):				
Interest expense	(88,198)	(12.9)	(125,881)	(22.7)
Interest and other income, net	(75,071)	(45.2)	(6,209)	(3.6)
Minority interest	73	0.3	21,188	46.6
	(163,196)	(30.3)	(110,902)	(25.9)
Loss from continuing operations before income taxes	537,147	76.7	(37,382)	(5.6)
Provision for income taxes	165,396	247.1	(296,418)	(81.6)
Loss from continuing operations	371,751	48.5	259,036	25.3
Discontinued operations	--	--	(95,688)	(100.0)
Extraordinary item	1,387	35.6	2,909	42.7
Accounting change	--	--	1,936	100.0
Net loss	$ 373,138	48.4%	$ 168,193	17.9%
SUPPLEMENTARY DATA:				
EBITDA(1)	$ 815,796	61.0%	$ 180,422	15.6%

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

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

See Management's Discussion and Analysis -- Introduction -- 1999 Accounting Charges and Adjustments.

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

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
STATEMENT OF OPERATIONS:			
Operating revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Operating (exclusive of depreciation and amortization shown below)	63.0	57.7	62.5
General and administrative	14.6	10.6	12.0
Depreciation and amortization	12.3	11.9	11.6
Merger and acquisition related costs	0.4	14.3	0.9
Asset impairments and unusual items	5.6	6.8	14.8
(Income) loss from continuing operations held for sale, net of minority interest	--	--	0.1
	95.9	101.3	101.9
Income (loss) from operations	4.1	(1.3)	(1.9)
Other income (expense):			
Interest expense	(5.8)	(5.4)	(4.6)
Interest and other income, net	0.7	1.3	1.4
Minority interest	(0.2)	(0.2)	(0.4)
	(5.3)	(4.3)	(3.6)
Loss from continuing operations before income taxes	(1.2)	(5.6)	(5.5)
Provision for income taxes	1.8	0.5	3.0
Loss from continuing operations	(3.0)	(6.1)	(8.5)
Discontinued operations	--	--	0.8
Extraordinary item	--	--	(0.1)
Accounting change	--	--	--
Net loss	(3.0)%	(6.1)%	(7.8)%
SUPPLEMENTARY DATA:			
EBITDA(1)	16.4%	10.6%	9.7%

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

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

See Management's Discussion and Analysis -- Introduction -- 1999 Accounting Charges and Adjustments.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 1999

The Company's principal business is its NASW operations, which include all solid waste activities, such as collection, transfer operations, recycling and disposal. The NASW disposal operations encompass solid waste and hazardous waste landfills, as well as waste-to-energy facilities. In addition, the Company operates outside of North America in activities similar to its NASW operations through its WM International operations. As discussed above, the Company's Board of Directors adopted a plan in 1999 to divest its WM International operations. Additionally, the Company performs certain non-solid waste services, primarily in North America, such as low-level and other radioactive waste management, and operates waste-fuel powered independent power facilities. A substantial portion of these operations were marketed for sale in accordance with the Company's strategic plan. See "Business -- Operations -- Low Level and Other Radioactive Waste Services." Through June 30, 1999, the Company's non-solid waste services also included non-land disposal hazardous waste operations and on-site industrial cleaning services located in North America. However, on June 30, 1999, the Company sold a 51% interest in these operations to Vivendi S.A. The Company's retained interest of 49% is being accounted for using the equity method of accounting.

Operating Revenues

The Company's operating revenues increased $501.2 million, or 4.0% in 1999 and $653.3 million or 5.5% in 1998, as compared to the respective prior years. The following presents the operating revenues by reportable segment for the respective years (dollars in millions):

	YEARS ENDED DECEMBER 31,					
	1999		1998		1997	
NASW	$10,689.1	81.4%	$10,142.8	80.3%	$ 9,244.9	77.2%
WM International	1,650.8	12.6	1,533.6	12.2	1,790.0	15.0
Non-solid waste	787.0	6.0	949.4	7.5	937.6	7.8
Operating revenues	$13,126.9	100.0%	$12,625.8	100.0%	$11,972.5	100.0%

The increase in the Company's operating revenues for 1997, 1998 and 1999 is primarily due to acquisition related growth in the NASW operations. The following table presents the Company's mix of operating revenues from NASW for the respective years (dollars in millions):

	YEARS ENDED DECEMBER 31,					
	1999		1998		1997	
NASW:						
Collection	$ 7,553.6	59.6%	$ 6,963.6	58.9%	$ 6,071.2	58.3%
Disposal	3,266.9	25.8	3,169.4	26.8	2,811.9	27.0
Transfer	1,195.0	9.4	1,054.3	8.9	814.5	7.8
Recycling and other	658.8	5.2	640.6	5.4	720.0	6.9
	12,674.3	100.0%	11,827.9	100.0%	10,417.6	100.0%
Intercompany	(1,985.2)		(1,685.1)		(1,172.7)	
Operating revenues	$10,689.1		$10,142.8		$ 9,244.9	

Acquisitions of NASW businesses during 1999 and the full year effect of acquisitions which were completed in 1998 accounted for an increase in operating revenues of approximately $615.7 million for 1999, as compared to 1998. NASW operating revenues also increased from internal growth of comparable operations of 2.6% for 1999, as compared to 1998. The Company believes that its internal revenue growth in 1999 was detrimentally affected by certain inflexibilities in its pricing strategy and the lack of responsiveness of that strategy to localized competitive conditions, resulting in lost customers and volumes. The Company intends to continue to review its pricing strategy to enhance its competitiveness in future periods. Offsetting the increase in operating revenues were divestitures of NASW businesses with revenues of approximately

$290.0 million, as well as other business factors that comprised the remaining differences, including the foreign currency fluctuations with the Canadian dollar.

NASW operating revenues in 1999 were lower than expected due to substantial difficulties in the integration of the operations of the Company after the WM Holdings Merger and the Eastern Merger, including the Company's information systems (including billing systems) and work flow related thereto. In 1999, the Company experienced significant difficulty in the conversion from the WM Holdings' information systems to the systems currently in use, resulting in delays and errors, particularly with respect to the Company's billing systems, including delays in submitting bills to customers and errors in both computing and delivering bills. Staffing levels were insufficient to address customer complaints and disputes and did not support timely follow-up with customers. Billing system issues initially became evident in the second quarter of 1999 as receivable aging levels rose. At that time, management believed that the increase in receivables was a short-term issue, receivables would return to historical levels once the billing system conversions were complete and there was not a significant collectability issue with its recorded receivables. In connection with the 1999 accounting review, the Company concluded that certain of these accounts had deteriorated to the point that they may be uncollectable, and therefore, recorded an increase in the allowance for doubtful accounts in the third quarter of 1999. These events also contributed a higher than usual provision for uncollectable accounts in the fourth quarter of 1999. Beginning in the third quarter of 1999, the Company has increased its resources dedicated to receivable collection efforts and continues to pursue collection of all outstanding balances.

The increase in operating revenues in 1998 for NASW, as compared to 1997, is primarily attributable to the effects of acquisitions and the internal growth of comparable operations. However, these increases were partially offset by the divestiture of certain solid waste operations and the impact of the currency translation fluctuations of the Canadian dollar. Acquisitions of solid waste businesses in North America during 1998 and the full year effect of such acquisitions completed during 1997 accounted for an increase in operating revenues of approximately $1.16 billion. Internal growth for comparable NASW services was 5.4%, which was comprised of 1.8% for pricing increases and 3.6% for volume increases. For 1998, the NASW operating revenues were negatively impacted by the lower prices received for recyclable materials, which can fluctuate substantially from period to period. Had the pricing for recyclable materials remained constant during 1998, internal growth for comparable NASW operations would have been 5.9% for the period.

The operating revenues from WM International increased approximately $117.2 million, or 7.6%, in 1999, but decreased approximately $256.4 million, or 14.3%, during 1998, from the respective prior years. The increase in operating revenues for WM International in 1999 is due to acquisitions of businesses, primarily in Denmark and Australia, with 1999 operating revenues of $182.8 million and internal growth of 1.6%. These increases in 1999 were offset by the disposition of operations, primarily in Italy, with 1998 operating revenues of $43.3 million. Additionally offsetting the increases in operating revenues in 1999 were fluctuations in foreign currency of $51.2 million. The decrease in 1998, as compared to 1997 is primarily due to the sale of certain assets, such as the waste-to-energy facility in Hamm, Germany in January 1998, as well as the expiration of the City of Buenos Aires, Argentina contract in February 1998. In 1998, internal growth from WM International operations reflected a modest decline. Operating revenues in 1998 were also negatively affected by foreign currency fluctuations of approximately $53.0 million as compared to 1997.

Operating revenues for non-solid waste services decreased in 1999, as compared to 1998, due to the sale of a 51% interest in certain non-solid waste operations, as previously discussed herein. However, this decrease was partially offset by the acquisition of a geosynthetic manufacturing and installation service company in July 1999. Exclusive of acquisitions and dispositions, the Company's non-solid waste operating revenues for 1999 were substantially consistent with 1998. Operating revenues in 1998 for the Company's non-solid waste operations were substantially consistent with 1997. The Company expects decreasing operating revenues from its non-solid waste operations in future periods because the Company is actively marketing certain of its non-solid waste operations pursuant to its strategic plan.

Operating Costs and Expenses (Exclusive of Depreciation and Amortization Shown Below)

Operating costs and expenses increased $985.8 million or 13.5% for 1999, as compared to 1998, and decreased $199.0 million, or 2.7%, for 1998, as compared to 1997. As a percentage of operating revenues, operating costs and expenses increased from 57.7% in 1998 to 63.0% in 1999 and were 62.5% in 1997.

For the three years ended December 31, 1999, operating costs and expenses increased primarily as a result of the Company's acquisition activities and internal revenue growth net of dispositions. Over that three-year period, operating costs and expenses as a percentage of revenues fluctuated, primarily due to the effects of the Company's merger integration plan that was adopted in connection with the WM Holdings Merger in July 1998. See "Operating Revenues" above. The merger integration plan included significant employee headcount reductions (particularly including supervisory operating personnel), the elimination of excess operating capacity through the sale or abandonment of certain assets and operations, and the reconfiguration of operations within certain domestic markets in which the Company operates. The Company's employee headcount reductions and the elimination of excess operating capacity were largely effected in the third quarter of 1998, while the reconfiguration of certain domestic markets began principally in the first quarter of 1999.

In 1998, soon after the WM Holdings Merger, the Company experienced reductions, both in absolute terms and as a percentage of operating revenues, in its operating costs and expenses as a result of the reductions in employee headcount and the elimination of excess operating assets that were either sold or abandoned pursuant to the merger integration plan. The Company believes that the reductions in employee headcount and the disposition of excess operating assets resulted in short-term cost efficiencies in 1998.

In 1999, the Company continued the implementation of its merger integration plan. However, due to the breadth and comprehensive nature of the changes the Company attempted to implement in 1999, the Company was unable to sustain the effectiveness of its integration plan. Operating costs and expenses therefore increased significantly as a percentage of revenues in 1999 because the short-term cost reductions experienced in 1998 were not sustained in 1999 and due to the operational difficulties encountered by the Company.

As part of its ongoing operations, the Company reviews its reserve requirements for remediation and other environmental matters based on an analysis of, among other things, the regulatory context surrounding landfills, site-specific environmental issues and remaining airspace capacity in light of changes to operational efficiencies. Accordingly, revisions to remediation reserve requirements may result in upward or downward adjustments to income from operations in any given period. Adjustments for final closure and post-closure estimates are accounted for prospectively over the remaining capacity of the operating landfill. The impact of revisions to remedial environmental and other similar liabilities resulted in reductions of operating costs and expenses as a percentage of revenues in the amount of 0.5% and 0.9% in 1999 and 1998, respectively. Similar revisions in 1997 resulted in an increase to operating costs and expenses equivalent to 0.8% of revenues.

General and Administrative Expenses

General and administrative expenses increased $587.6 million or 44.1% from 1998 to 1999 and decreased $105.8 million or 7.4% from 1997 to 1998. As a percentage of operating revenues, the Company's general and administrative expense was 14.6% for 1999, 10.6% for 1998 and 12.0% for 1997. Over the three-year period ended December 31, 1999, general and administrative expenses increased primarily as a result of the Company's acquisition activity, partially offset by divestitures.

General and administrative expenses for 1999 include $326.6 million in adjustments resulting from the 1999 accounting review, some of which are recurring in nature and should be expected in future periods. These significant adjustments include an increase of $167.3 million relative to the allowance for doubtful accounts. In addition, general and administrative expenses for 1999 include $159.3 million in costs for accounting, legal and other professional services. These costs are primarily related to litigation and investigations conducted by the Company in 1999. See discussion, in "Operating Revenues" and "Operating Costs and Expenses" above, of the Company's substantial difficulties in integrating the operations of WM Holdings subsequent to the WM Holdings Merger.

As discussed above, the Company believes it experienced short-term cost reductions related to the elimination of duplicate corporate administrative functions from the WM Holdings Merger in 1998 and the first and second quarters of 1999. Such cost reductions were substantially offset by the effect of difficulties encountered by the Company in integrating the operations of WM Holdings, including increased administrative costs in field operations, particularly in the third and fourth quarters of 1999, attributable to increased costs to perform billing, collection and other administrative functions.

Depreciation and Amortization

Depreciation and amortization expense increased $115.5 million or 7.7% in 1999 and $106.9 million, or 7.7% in 1998, as compared to the respective prior year. As a percentage of operating revenues, depreciation and amortization expense was 12.3% in 1999, 11.9% in 1998 and 11.6% in 1997.

Over the three-year period ended December 31, 1999, depreciation and amortization increased primarily as a result of the Company's acquisition program, partially offset by divestitures. In addition to the increase associated with acquisitions, depreciation and amortization expense for 1999 includes adjustments resulting from the 1999 accounting review, some of which are recurring in nature and should be expected in future periods. These adjustments primarily include adjustments to increases to landfill amortization expense as a result of the comprehensive review of the NASW landfill expansion projects. The increase in landfill amortization as a result of this review aggregated $24.3 million, or 0.2% of annual revenues, for the third and fourth quarters of 1999. The Company discontinued depreciation on fixed assets relative to certain operations which are held for sale as of October 1, 1999. The depreciation discontinued in the fourth quarter of 1999 for these operations held for sale was $45.6 million, or 0.3% of annual revenues, which was primarily related to the Company's WM International operations.

Merger and Acquisition Related Costs, Asset Impairments and Unusual Items

As further discussed in Notes 4 and 15 to the financial statements included elsewhere herein, in connection with the WM Holdings Merger and the Eastern Merger, the Company incurred significant merger and acquisition related costs, asset impairments and unusual items in 1998 of approximately $2.7 billion. In 1999, the Company incurred approximately $44.6 million in merger costs and $738.8 million in asset impairments and unusual items. The 1999 merger and acquisition related costs were primarily related to these mergers and included costs that were transitional in nature. The 1999 charge for asset impairments and unusual items primarily consisted of held for sale asset adjustments, other asset impairments and provisions for increases in certain legal reserves. In 1998 and 1997, the Company incurred merger and acquisition related costs of approximately $17.2 million and $112.7 million, respectively, related to other business combinations accounted for as poolings of interests that were completed during those years. The 1997 financial statements include a charge to asset impairments and unusual items of approximately $1.8 billion related primarily to a significant accounting charge resulting from a comprehensive review performed by the management of WM Holdings of its operations and investments. See Note 15 to the financial statements for further discussion.

(Income) Loss from Continuing Operations Held for Sale, Net of Minority Interest

In 1998 and 1997, the Company had operations that were previously classified as discontinued operations for accounting and financial reporting purposes that were subsequently reclassified to continuing operations as of December 31, 1997, as the dispositions were not completed within one year from the date of their classification as discontinued operations. The Company divested of substantially all of such operations by September 30, 1998.

Income (Loss) from Operations

Income (loss) from operations was $540.0 million, $(160.4) million, and $(233.9) million for 1999, 1998 and 1997, respectively, for the reasons discussed above.

Other Income and Expenses

Other income and expenses consists of interest expense, interest income, other income (including gains and losses on sales of businesses) and minority interest. The most significant of these is interest expense. Although the Company has experienced lower borrowing rates during most of 1999, as compared to 1998 and 1997, interest costs, which include amounts capitalized, increased for each year from 1997 to 1999 due to increases in the Company's outstanding indebtedness. During the last six months of 1999, the Company experienced a decline in its public credit ratings. As a result, it is likely that the borrowing rates in the foreseeable future will be higher than the rates previously experienced by the Company. Capitalized interest was $34.3 million, $41.5 million and $51.4 million, for 1999, 1998, and 1997, respectively. The decline in the amount of interest capitalized by the Company over these periods is primarily due to shortening of the cycles in which the Company performs landfill construction activities and the success in obtaining permits at certain significant landfill expansion projects.

During 1998, the Company acquired the outstanding minority interest in WTI, WM plc, as well as WM plc's operations in the United Kingdom, which were 49% owned by Wessex Water Plc. As a result, the minority interest expense was less significant to the Company in 1999 as compared to prior years.

Other income in 1997 includes a gain of $129.0 million related to the sale of the Company's investment in ServiceMaster Consumer Services L.P., which occurred during the first quarter of 1997. Other income in 1998 includes the sale of certain of the Company's investments and businesses. In January 1998 the Company recognized a gain of $38.0 million from the sale of a waste-to-energy facility in Hamm, Germany.

Provision for Income Taxes

The Company recorded a provision for income taxes of $232.3 million, $66.9 million, and $363.3 million for 1999, 1998 and 1997, respectively, resulting in an effective income tax rate of 142.8%, 9.6%, and 54.9% for each of these years, respectively. The difference in federal income taxes computed at the federal statutory rate and reported income taxes for these years is primarily due to state and local income taxes, non-deductible costs related to acquired intangibles, non-deductible costs associated with the impairment of certain foreign businesses and other third quarter 1999 charges and adjustments as discussed in Note 2 to the financial statements, and the cost associated with remitting the earnings of certain foreign subsidiaries, which are no longer permanently reinvested.

Discontinued Operations

The Company recorded $95.7 million in 1997 for the net results of discontinued operations. See Note 19 of the financial statements included herein for additional discussion of discontinued operations.

Extraordinary Item

During 1999, 1998 and 1997, the Company retired certain debt prior to their scheduled maturities. As a result, the Company incurred prepayment penalties and other fees, as well as charged to expense the unamortized discounts and debt issuance costs. Total charges for these items, net of tax, were $2.5 million, $3.9 million and $6.8 million for 1999, 1998 and 1997, respectively.

Cumulative Effect of Change in Accounting Principle

In the fourth quarter of 1997, the Company began expensing process reengineering costs in accordance with the Financial Accounting Standards Board Emerging Issues Task Force Issue No. 97-13. Accordingly, the Company expensed any amounts previously capitalized, which reduced net income by $1.9 million in 1997.

Net Loss

For the reasons discussed above, net loss was $397.6 million in 1999, $770.7 million in 1998, and $938.9 million in 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in an industry that requires a high level of capital investment. The Company's capital requirements primarily stem from (i) its working capital needs for its ongoing operations, (ii) capital expenditures for construction and expansion of its landfill sites, as well as new trucks and equipment for its collection operations, (iii) refurbishments and improvements at its waste-to-energy facilities and (iv) business acquisitions. The Company's strategy is to meet these capital needs first from internally generated funds. Historically, the Company has also obtained financing from various financing sources available to the Company at the time, including the incurrence of debt and the issuance of its common stock. In August 1999, the Company announced a strategic plan that included the sale of certain non-strategic and under-performing assets, including its WM International operations, its non-core assets and up to 10% of its NASW operations. The proceeds from these dispositions, which are primarily expected to be realized in 2000, will be utilized for debt repayment, repurchase of shares and selected tuck-in acquisitions. Although the Company has unused and available credit capacity under its domestic bank facilities of $1.5 billion at December 31, 1999 and $1.4 billion as of March 15, 2000, the Company expects reductions in bank line availability as debt levels are decreased in connection with the strategic plan. However, due to a projected decrease in acquisition activity in future periods and the sale of certain of its international businesses, the Company's level of capital expenditures is expected to decline along with its needs for large amounts of credit capacity.

As a result of the accounting charges and adjustments recorded in the third quarter of 1999 (see Note 2), absent waivers, the Company would not have been in compliance as of September 30, 1999 with certain financial covenants as required by its four bank credit facilities. The Company received waivers from each of its four bank groups for the period ended September 30, 1999, enabling the Company to be in full compliance with and have full access to its existing bank credit facilities. During the fourth quarter of 1999, the Company incurred approximately $8.0 million (which is included in interest expense) to obtain these waivers. In December 1999, the Company received unanimous approval for amendments to its existing $2 billion, $3 billion and Eurocurrency bank credit facilities. The approvals provide permanent amendments to the waivers previously granted to the Company related to its operating results for the third quarter of 1999. Additionally, the amended terms and conditions of the facilities contain the necessary provisions for the Company to proceed with its strategy of divesting of its WM International operations and domestic non-core assets.

Under the terms of the Syndicated Facility and Credit Facility, the Company is obligated to repay its indebtedness under such facilities with the cash proceeds to be received from the divestitures of its WM International operations, domestic non-core assets and up to 10% of its NASW operations pursuant to its strategic plan. Specifically, the Company must use all of the first $1.5 billion of net proceeds it receives from the sales of any domestic operations to repay indebtedness under the Syndicated Facility and Credit Facility. Additionally, 50% of the net proceeds greater than $1.5 billion but less than $2.5 billion from sales of domestic operations must be used to repay indebtedness under such facilities. Finally, all net proceeds from the divestiture of WM International operations must be used to repay indebtedness under the Company's Eurocurrency facilities. The net proceeds remaining after the repayment of the Eurocurrency facilities will be counted as, and therefore subject to the same requirements to repay the Syndicated Facility and Credit Facility as, net proceeds received from the sales of domestic operations.

The Company was in compliance with all financial requirements under its credit agreements as of December 31, 1999. However, the Company anticipates that its cash flows from operations for the year 2000 will likely not be sufficient for the Company to maintain compliance with certain of the financial ratios contained in its Syndicated Facility, Credit Facility, and Eurocurrency credit facilities. Therefore, it has classified the borrowings outstanding under the Syndicated Facilities and the Credit Facility as short-term obligations as of December 31, 1999. The Eurocurrency Credit Facility is included in operations held for sale at December 31, 1999. As discussed in the preceding paragraph, the Company expects to make a substantial principal reduction on these facilities with the net proceeds of its anticipated divestitures. The Company intends to pursue waivers or amendments of such agreements in advance of any potential violation of the credit agreements. However, there can be no assurance that, in the event the Company actually violates its

agreements, that such waivers or amendments will be obtained. Failure to obtain such waivers or amendments would have an adverse effect on the Company's financial condition, results of operations and cash flows.

During the last six months of 1999, the Company experienced a decline in its public credit ratings which curtailed its access to the commercial paper market. All outstanding commercial paper was redeemed by March 1, 2000. The Company does not expect that it will be in a position to reissue commercial paper in the foreseeable future. Additionally, as a result of a decline in its credit ratings, the Company expects to incur substantially higher costs of financing for the foreseeable future as compared to prior years should it attempt any capital market activity. The Company utilizes approximately $3 billion in bonding related to its operations. Should any of these bonding sources become unavailable without replacement from other bonding sources, the Company would have to utilize its bank lines, which are at significantly higher rates, for replacement purposes.

As of December 31, 1999, the Company had working capital deficit of $1.3 billion (a ratio of current assets to current liabilities of 0.8:1) and a cash balance of $181.4 million, which compares to a working capital deficit of $412.3 million (a current ratio of 0.9:1) and a cash balance of $86.9 million as of December 31, 1998. For 1999, net cash provided by operating activities was $1.7 billion, as compared to $1.5 billion in 1998 and $2.1 billion in 1997, and net cash provided by (used in) financing activities was $426.2 million in 1999, as compared to $3.0 billion in 1998 and $(445.0) million in 1997. In 1999, cash generated from operating and financing activities was primarily used to acquire business and outstanding minority interest positions for $1.3 billion and for capital expenditures of $1.3 billion. In 1998, cash generated from operating and financing activities was primarily used to acquire businesses and outstanding minority interest positions for $3.6 billion and for capital expenditures of $1.7 billion. In 1997, capital expenditures of $1.3 billion and acquisitions of businesses and outstanding minority interests of $1.8 billion were primarily financed through net cash from operations of $2.1 billion as well as proceeds from divestitures of businesses and other sales of assets of $1.5 billion. Additionally, in 1997 the Company acquired $1.0 billion of its stock and paid cash dividends to its shareholders of $309.6 million.

During 1999, the Company paid approximately $550 million for costs directly or indirectly related to the WM Holdings Merger and the Eastern Merger. Consequently, the Company's net cash provided by operating activities for 1999 was significantly impacted by its 1998 merger activity, and to a lesser extent, other working capital issues. The Company contributed approximately $43.4 million during 1999, which is included in the above amounts, and expects payments of approximately $185 million to be paid through 2000 relating to the termination of the WM Holdings' defined benefit plan. Furthermore, the Company expects to fund additional merger and legal obligations throughout 2000.

From December 15, 1999 through March 16, 2000, the Company repurchased $430.2 million of its 5.75% convertible subordinated notes due 2005 with funds available from internally generated cash flows and its domestic credit facilities. The Company has a scheduled maturity of $250 million of senior notes on October 15, 2000. The Company expects to repay this senior note with funds available from its domestic credit facilities.

In the second quarter of 1999, the Company agreed to purchase all of the Canadian solid waste operations of Allied Waste Industries, Inc. ("Allied") other than its medical waste disposal assets (the "Canadian Operations") for a purchase price of approximately $501 million in cash. That agreement was revised and superseded on November 8, 1999. Under the revised agreements, the Company agreed to acquire the Canadian Operations through the purchase of the stock of Allied's Canadian subsidiary. The revised agreements also provide for the purchase by Allied of certain of the Company's solid waste operations having combined reported historical net revenue of approximately $120 million, including nine landfill operations, 19 collection operations, five transfer stations and a landfill operating contract. The prices of Canadian operations to be acquired, and the domestic operations to be disposed of, by the Company were all established based upon the same multiple of historical operating earnings, although the transactions may proceed separately.

The sale of the Canadian Operations is subject to final approval under the Canadian Competition Act and Investment Canada Act. The Competition Bureau of Canada has requested that the Company divest a substantial portion of the Canadian Operations as a condition to recommending such approval. In response,

the Company and Allied are actively pursuing a restructured transaction, whereby the Company would acquire only those portions of the Canadian Operations approved by Canadian regulators. The scope of the United States assets to be acquired by Allied from the Company also remains under governmental antitrust review.

ENVIRONMENTAL MATTERS

The Company has material financial commitments for the costs associated with its future obligations for final closure, which is the closure of the landfills and the capping of the final uncapped areas of the landfills, and for post-closure of the landfills it operates or for which it is otherwise responsible. The final closure and post-closure liabilities are charged to expense as airspace is consumed such that the present value of total estimated final closure and post-closure cost will be accrued for each landfill at the time each site discontinues accepting waste and is closed. The Company has also established procedures to evaluate its potential remedial liabilities at closed sites which it owns or operated, or to which it transported waste, including 84 sites listed on the NPL. The majority of situations involving NPL sites relate to allegations that subsidiaries of the Company (or their predecessors) transported waste to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. In instances in which the Company has concluded that it is probable that a liability has been incurred, an accrual has been recorded in the financial statements.

Estimates of the extent 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 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. While the Company does not anticipate that any such adjustment would be material to its financial statements, it is reasonably 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 necessitate the recording of additional liabilities which could have a material adverse impact on the Company's financial statements.

While the precise amount of these future costs cannot be determined with certainty, the Company has estimated that the aggregate cost of environmental liabilities as of December 31, 1999 is approximately $2.6 billion. As of December 31, 1999 and 1998, the Company had recorded liabilities of $977.5 million and $1.2 billion, respectively, for the present value of final closure, post-closure, and remediation costs of disposal facilities. The difference between the final closure and post-closure costs accrued at December 31, 1999, and the total present value of estimated costs represents final closure and post-closure costs which will be accrued and charged to expense as airspace is consumed such that the total present value of estimated final closure and post-closure costs to be incurred will be fully accrued for each landfill at the time each site discontinues accepting waste and is closed. Average landfill final closure and post-closure expense, on a per ton basis, for 1999 was $0.27 per ton.

As of December 31, 1999, the Company also expects to incur approximately $6.9 billion related to future construction activities during the remaining operating lives of the disposal sites, which are capitalized as incurred and expensed over the useful lives of the disposal sites as airspace is consumed.

SEASONALITY AND INFLATION

The Company's operating revenues tend to be somewhat lower in the winter months, which corresponds with the Company's first and fourth quarters. This is primarily attributable to the facts that (i) the volume of waste relating to construction and demolition activities tends to increase in the spring and summer months and (ii) the volume of industrial and residential waste in certain regions where the Company operates tends to decrease during the winter months.

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

YEAR 2000 DATE CONVERSION

The Company completed all preparation to assure its computerized information systems, embedded technologies in its equipment, and to the extent possible, its suppliers, were ready for Year 2000. As a result, the Company suffered no material adverse business impact with the Year 2000 occurrence.

NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities was issued in 1998. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and derivatives used for hedging purposes. SFAS No. 133 requires that entities recognize all derivative financial instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133, as amended by SFAS No. 137, is effective for the Company in its first fiscal quarter of 2001. Management is currently assessing the impact that the adoption of SFAS No. 133 will have on the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

In the normal course of business, the Company is exposed to market risk, including changes in interest rates, currency exchange rates, certain commodity prices and certain equity prices. From time to time, the Company and certain of its subsidiaries use derivatives to manage some portion of these risks. The derivatives used are simple agreements which provide for payments based on the notional amount, with no multipliers or leverage. All derivatives are related to actual or anticipated exposures of transactions of the Company. While the Company is exposed to credit risk in the event of non-performance by counterparties to derivatives, in all cases such counterparties are highly rated financial institutions and the Company does not anticipate non-performance. The Company does not hold or issue derivative financial instruments for trading purposes. The Company monitors its derivative positions by regularly evaluating the positions at market and by performing sensitivity analyses.

The Company has performed sensitivity analyses to determine how market rate changes will affect the fair value of the Company's market risk sensitive derivatives and related positions. Such an analysis is inherently limited in that it represents a singular, hypothetical set of assumptions. Actual market movements may vary significantly from the Company's assumptions. The effects of such market movements may also directly or indirectly affect the Company's assumptions. The effects of such market movements may also directly or indirectly affect Company rights and obligations not covered by sensitivity analysis. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect on the Company from the assumed market rate movements.

Interest Rate Exposure. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's debt obligations, which are mainly denominated in U.S. dollars. In addition, interest rate swaps are generally used to either lock-in or limit the variability in the interest expense of certain floating rate debt obligations or to manage the mix of fixed and floating rate debt obligations. An instantaneous, one percentage point increase in interest rates across all maturities and applicable yield curves would increase the fair value of the Company's combined debt and interest rate swap positions at December 31, 1999 and 1998 by approximately $499.2 million and $591.0 million, respectively. This analysis does not reflect the effect that declining interest rates would have on other items such as pension liabilities, nor the favorable impact they would have on interest expense and cash payments for interest. Since a significant portion of the Company's debt is at fixed rates, changes in market interest rates would not significantly impact operating results until and unless such debt would need to be refinanced at maturity.

Currency Rate Exposure. From time to time, the Company and certain of its subsidiaries have used foreign currency derivatives to seek to mitigate the impact of translation on foreign earnings and income from foreign investees. Typically these derivatives have taken the form of purchased put options or collars. There were no currency derivatives outstanding at December 31, 1999 or 1998 that relate to hedging the translation of foreign earnings.

The Company occasionally incurs currency risk from cross border transactions. When such transactions are anticipated or committed to, the Company may enter into forward contracts or purchase options to reduce or eliminate the related foreign exchange risk. The Company also incurs exchange rate risk from borrowings denominated in foreign currencies. An instantaneous, ten percent increase in foreign exchange rates would decrease the fair value of the Company's foreign currency borrowings at December 31, 1999 and 1998, by approximately $42.7 million and $13.1 million, respectively. This difference can be attributed to a variety of factors, including a change in the composition of the portfolio, a change in the correlations across different instruments resulting from the WM Holdings Merger or other factors arising from changing market conditions. The total effect on the Company from movements in exchange rates will also be influenced by other factors. For example, an increase in the fair value of foreign currency denominated debt caused by exchange rate movements may be more than offset by an increase in the value of the Company's net investment in foreign countries. At December 31, 1999, all debt of WM International is classified in current assets as assets held for sale.

Commodities Price Exposure. The Company markets recycled paper products such as old newspaper ("ONP") and old corrugated containers ("OCC"). Beginning in 1999, the Company entered into financial swaps in an effort to mitigate the risk of recyclable paper price fluctuations. Under its financial swap agreements, the Company transfers a floating market price for a fixed price for a fixed period of time. The two parties agree to use a market index as an indicator of the market price during the term of the swap. An instantaneous ten percent increase in this commodity at December 31, 1999 creates an exposure risk of approximately $50,000. All of the Company's waste paper hedges are cash settled on a monthly basis with the counterparty.

Equity Price Exposure. The Company is also subject to equity price exposure from Company debt issues that are convertible into the Company's common stock. These debt issues had an aggregate carrying value of $962.0 million and $1.25 billion as of December 1999 and 1998, respectively. An instantaneous, ten percent decrease in the Company's stock price on December 31, 1999 and 1998, would increase the fair value of the Company's convertible debt by approximately $12.4 million and $121.0 million, respectively. The change in fair value is due to the change in the Company's stock price from December 31, 1998 to December 31, 1999. The Company's share price fell from $46.63 on December 31, 1998 to $17.19 at the close of trading on December 31, 1999. However, such changes in stock prices did not impact net income.

See Notes 3 and 9 to the financial statements included elsewhere herein for further discussion of the use of and accounting for derivative instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO
CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Waste Management, Inc.:

We have audited the accompanying consolidated balance sheets of Waste Management, Inc. and subsidiaries (the "Company"), a Delaware corporation, as of December 31, 1999 and 1998, and the related consolidated statements of operations, stockholders' equity, cash flows and comprehensive income (loss) for each of the years in the three-year period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

As discussed in Note 4, the financial statements referred to above give retroactive effect to the merger of the Company (then known as USA Waste Services, Inc.) and Waste Management Holdings, Inc., (then known as Waste Management, Inc.) on July 16, 1998, and the Company's merger with Eastern Environmental Services, Inc. on December 31, 1998, which were accounted for as poolings of interests.

We did not audit the consolidated financial statements of the former USA Waste Services, Inc. and subsidiaries for the year ended December 31, 1997. Such statements are included in the consolidated financial statements of the Company and reflect operating revenues constituting twenty-two percent of the related consolidated total in 1997. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the former USA Waste Services, Inc. and subsidiaries for the year ended December 31, 1997 is based solely on the report of the other auditors.

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

The selected quarterly financial data included in Note 20 contains information that we did not audit, and, accordingly, we do not express an opinion on that data. We attempted, but were unable, to review the quarterly financial data for the interim periods within 1999 in accordance with standards established by the American Institute of Certified Public Accountants because we believe that the Company's internal controls for the preparation of interim financial information did not provide an adequate basis to enable us to complete such a review.

In our opinion, based upon our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Waste Management, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Houston, Texas
March 27, 2000

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of USA Waste Services, Inc.:

We have audited the consolidated statements of operations, stockholders' equity, and cash flows of USA Waste Services, Inc. for the year ended December 31, 1997. These financial statements (not presented separately herein) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of USA Waste Services, Inc. for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P

Houston, Texas
March 16, 1998

WASTE MANAGEMENT, INC.

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

ASSETS

	DECEMBER 31,	
	1999	1998
Current assets:		
Cash and cash equivalents	$ 181,357	$ 86,873
Accounts receivable, net of allowance for doubtful accounts of $289,499 and $116,430, respectively	1,540,653	2,245,977
Notes and other receivables	366,634	139,934
Parts and supplies	107,222	128,254
Deferred income taxes	298,433	237,616
Costs and estimated earnings in excess of billings on uncompleted contracts	8,985	127,975
Prepaid expenses and other	181,759	168,163
Operations held for sale	3,535,502	856,413
Total current assets	6,220,545	3,991,205
Notes and other receivables, net	42,861	190,237
Property and equipment, net	10,303,803	11,625,657
Excess of cost over net assets of acquired businesses, net	5,185,909	6,069,098
Other intangible assets, net	170,768	181,226
Other assets	757,538	824,741
Total assets	$ 22,681,424	$22,882,164

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 1,062,536	$ 1,040,601
Accrued liabilities	1,512,873	2,273,543
Deferred revenues	407,084	381,780
Current maturities of long-term debt	3,098,742	597,742
Operations held for sale	1,408,220	109,808
Total current liabilities	7,489,455	4,403,474
Long-term debt, less current maturities	8,399,346	11,134,619
Deferred income taxes	729,902	470,107
Environmental liabilities	837,407	1,040,747
Other liabilities	815,028	1,348,645
Total liabilities	18,271,138	18,397,592
Minority interest in subsidiaries	7,674	112,076
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized; none issued	--	--
Common stock, $.01 par value; 1,500,000,000 shares authorized; 627,283,618 and 608,307,531 shares issued, respectively	6,273	6,083
Additional paid-in capital	4,440,159	4,091,525
Retained earnings	662,746	1,066,506
Accumulated other comprehensive income (loss)	(563,086)	(420,804)
Restricted stock unearned compensation	(3,936)	--
Treasury stock at cost, 73,709 and 63,950 shares, respectively	(3,890)	(2,821)
Employee stock benefit trust at market, 7,892,612 shares	(135,654)	(367,993)
Total stockholders' equity	4,402,612	4,372,496
Total liabilities and stockholders' equity	$ 22,681,424	$22,882,164

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

WASTE MANAGEMENT, INC.

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

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Operating revenues	$13,126,920	$12,625,769	$11,972,498
Costs and expenses:			
Operating (exclusive of depreciation and amortization shown below)	8,269,021	7,283,251	7,482,273
General and administrative	1,920,309	1,332,736	1,438,501
Depreciation and amortization	1,614,165	1,498,712	1,391,810
Merger and acquisition related costs	44,634	1,807,245	112,748
Asset impairments and unusual items	738,837	864,063	1,771,145
Income from continuing operations held for sale, net of minority interest	--	151	9,930
	12,586,966	12,786,158	12,206,407
Income (loss) from operations	539,954	(160,389)	(233,909)
Other income (expense):			
Interest expense	(769,655)	(681,457)	(555,576)
Interest income	38,497	26,829	45,214
Minority interest	(24,181)	(24,254)	(45,442)
Other income, net	52,653	139,392	127,216
	(702,686)	(539,490)	(428,588)
Loss from continuing operations before income taxes	(162,732)	(699,879)	(662,497)
Provision for income taxes	232,319	66,923	363,341
Loss from continuing operations	(395,051)	(766,802)	(1,025,838)
Discontinued operations:			
Income on disposal or from reserve adjustment, net of applicable income tax and minority interest of $100,842 in 1997	--	--	95,688
Loss before extraordinary item and cumulative effect of change in accounting principle	(395,051)	(766,802)	(930,150)
Extraordinary loss on refinancing or retirement of debt, net of income tax and minority interest of $1,599 in 1999, $2,600 in 1998 and $4,962 in 1997	(2,513)	(3,900)	(6,809)
Cumulative effect of change in accounting principle, net of income tax of $1,100 in 1997	--	--	(1,936)
Net loss	$ (397,564)	$ (770,702)	$ (938,895)
Basic earnings (loss) per common share:			
Continuing operations	$ (0.64)	$ (1.31)	$ (1.84)
Discontinued operations	--	--	0.17
Extraordinary item	(0.01)	(0.01)	(0.01)
Cumulative effect of change in accounting principle	--	--	--
Net loss	$ (0.65)	$ (1.32)	$ (1.68)
Diluted earnings (loss) per common share:			
Continuing operations	$ (0.64)	$ (1.31)	$ (1.84)
Discontinued operations	--	--	0.17
Extraordinary item	(0.01)	(0.01)	(0.01)
Cumulative effect of change in accounting principle	--	--	--
Net loss	$ (0.65)	$ (1.32)	$ (1.68)
Weighted average number of common shares outstanding	612,932	584,301	557,675
Weighted average number of common and dilutive potential common shares outstanding	612,932	584,301	557,675

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

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RESTRICTED STOCK UNEARNED COMPENSATION	1998 EMPLOYEE STOCK OWNERSHIP PLAN
Balance, January 1, 1997	$ --	$5,583	$2,900,978	$3,192,165	$(113,941)	$ (2,541)	$(6,396)
Net loss	--	--	--	(938,895)	--	--	--
Cash dividends	--	--	--	(309,577)	--	--	--
Dividends paid to employee stock benefit trust	--	--	7,294	(7,294)	--	--	--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit)	--	38	71,732	--	--	--	--
Unearned compensation related to issuance of restricted stock to employees	--	--	--	--	--	(23,444)	--
Earned compensation related to restricted stock, net of reversals on forfeited shares	--	--	--	--	--	2,357	--
Reversals of unearned compensation upon cancellation of restricted stock	--	--	--	--	--	12,526	--
Contribution to 1988 ESOP (213,940 shares)	--	--	--	--	--	--	6,396
Common stock issued for acquisitions	--	146	218,637	1,628	--	--	--
Common stock issued in public offerings	--	186	580,234	--	--	--	--
Common stock issued for United stock options	--	19	25,809	--	--	--	--
Temporary equity related to put options	--	--	95,789	--	--	--	--
Settlement of put options	--	--	(1,605)	--	--	--	--
Adjustment of employee stock benefit trust to market value	--	--	(54,432)	--	--	--	--
Adjustment for minimum pension liability, net of taxes	--	--	--	--	11,492	--	--
Cumulative translation adjustment of foreign currency statements	--	--	--	--	(180,744)	--	--
Common stock repurchased (26,111,795 shares)	--	--	--	--	--	--	--
Other	--	15	29,554	--	--	--	--
Balance, December 31, 1997	$ --	$5,987	$3,873,990	$1,938,027	$(283,193)	$(11,102)	$ --

	TREASURY STOCK	EMPLOYEE STOCK BENEFIT TRUST
Balance, January 1, 1997	$ (420,431)	$(353,807)
Net loss	--	--
Cash dividends	--	--
Dividends paid to employee stock benefit trust	--	--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit)	47,271	--
Unearned compensation related to issuance of restricted stock to employees	--	--
Earned compensation		

related to restricted stock, net of reversals on forfeited shares	--	--
Reversals of unearned compensation upon cancellation of restricted stock	--	--
Contribution to 1988 ESOP (213,940 shares)	--	--
Common stock issued for acquisitions	3,753	--
Common stock issued in public offerings	--	--
Common stock issued for United stock options	--	--
Temporary equity related to put options	--	--
Settlement of put options	--	--
Adjustment of employee stock benefit trust to market value	--	54,432
Adjustment for minimum pension liability, net of taxes	--	--
Cumulative translation adjustment of foreign currency statements	--	--
Common stock repurchased (26,111,795 shares)	(1,000,208)	--
Other	210	--
Balance, December 31, 1997	$(1,369,405)	$(299,375)

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

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, CONTINUED
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RESTRICTED STOCK UNEARNED COMPENSATION	TREASURY STOCK	EMPLOYEE STOCK BENEFIT TRUST
Balance, January 1, 1998....	$ --	$5,987	$3,873,990	$1,938,027	$(283,193)	$(11,102)	$(1,369,405)	$(299,375)
Net loss.....	--	--	--	(770,702)	--	--	--	--
Cash dividends.....	--	--	--	(93,810)	--	--	--	--
Dividends paid to employee stock benefit trust.....	--	--	1,963	(1,963)	--	--	--	--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit).....	--	44	94,507	--	--	--	75,212	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--	--	--	--	759	--	--
Reversals of unearned compensation upon cancellation of restricted stock.....	--	--	--	--	--	1,134	--	--
Accelerated vesting of restricted stock due to WM Holdings Merger.....	--	--	--	--	--	9,209	--	--
Common stock issued for acquisitions.....	--	76	180,051	(6,032)	--	--	--	--
Common stock issued in public offerings.....	--	52	205,811	--	--	--	--	--
Put rights on WM Holdings employee stock options, net of taxes.....	--	--	70,495	--	--	--	--	--
Adjustment of employee stock benefit trust to market value.....	--	--	68,618	--	--	--	--	--
Adjustment for minimum pension liability, net of taxes.....	--	--	--	--	(59,769)	--	--	--
Cumulative translation adjustment of foreign currency statements.....	--	--	--	--	(77,842)	--	--	--
Sale of treasury stock....	--	--	3,755	--	--	--	725,103	--
Cancellation of treasury stock.....	--	(133)	(566,136)	--	--	--	566,269	--
Change in Eastern fiscal year.....	--	39	91,294	986	--	--	--	--
Conversion of WTI stock options.....	--	--	20,138	--	--	--	--	--
Other.....	--	18	47,039	--	--	--	--	--
Balance, December 31, 1998.....	$ --	$6,083	$4,091,525	$1,066,506	$(420,804)	$ --	$ (2,821)	$(299,375)
Net loss.....								--
Cash dividends.....								--
Dividends paid to employee stock benefit trust.....								--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit).....								--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....								--
Reversals of unearned compensation upon cancellation of restricted stock.....								--
Accelerated vesting of restricted stock due to WM Holdings Merger.....								--
Common stock issued for acquisitions.....								--
Common stock issued in public offerings.....								--

Put rights on WM Holdings employee stock options, net of taxes	--
Adjustment of employee stock benefit trust to market value	(68,618)
Adjustment for minimum pension liability, net of taxes	--
Cumulative translation adjustment of foreign currency statements	--
Sale of treasury stock	--
Cancellation of treasury stock	--
Change in Eastern fiscal year	--
Conversion of WTI stock options	--
Other	--
Balance, December 31, 1998	$(367,993)

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

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, CONTINUED
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RESTRICTED STOCK UNEARNED COMPENSATION	TREASURY STOCK	EMPLOYEE STOCK BENEFIT TRUST
Balance, January 1, 1999...	$--	$6,083	$4,091,525	$1,066,506	$(420,804)	$ --	$(2,821)	$(367,993)
Net loss.....	--	--	--	(397,564)	--	--	--	--
Cash dividends.....	--	--	--	(6,196)	--	--	--	--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit).....	--	84	242,504	--	--	--	--	--
Unearned compensation related to issuance of restricted stock to employees.....	--	3	4,121	--	--	(4,124)	--	
Earned compensation related to restricted stock.....	--	--	--	--	--	188	--	--
Common stock issued for acquisitions.....	--	5	33,433	--	--	--	--	--
Common stock issued for conversion of subordinated debt.....	--	90	260,588	--	--	--	--	--
Adjustment of employee stock benefit trust to market value.....	--	--	(232,339)	--	--	--	--	232,339
Adjustment for minimum pension liability, net of taxes.....	--	--	--	--	(65,844)	--	--	--
Cumulative translation adjustment of foreign currency statements....	--	--	--	--	(76,438)	--	--	--
Other.....	--	8	40,327	--	--	--	(1,069)	--
Balance, December 31, 1999.....	$--	$6,273	$4,440,159	$ 662,746	$(563,086)	$(3,936)	$(3,890)	$(135,654)

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

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Cash flows from operating activities:			
Net loss	$ (397,564)	$ (770,702)	$ (938,895)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Provision for bad debts	268,379	70,727	69,592
Depreciation and amortization	1,614,165	1,498,712	1,391,810
Deferred income tax provision (benefit)	317,819	(450,158)	(375,543)
Undistributed earnings of equity investees	--	(3,294)	8,000
Minority interest in subsidiaries	24,181	24,254	45,442
Interest accretion	8,328	18,023	20,682
Contribution to 1988 Employee Stock Ownership Plan	--	--	6,396
Net gain on disposal of assets	(18,961)	(83,503)	(133,981)
Effect of merger costs, asset impairments and unusual items	574,858	1,555,000	1,675,247
Income (loss) on disposal or from reserve adjustment of discontinued operations, net of tax and minority interest	--	--	(95,688)
Change in assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(168,745)	(256,722)	(114,829)
Prepaid expenses and other current assets	183,733	(11,235)	68,791
Other assets	60,551	135,120	90,614
Accounts payable and accrued liabilities	(492,006)	(140,613)	228,022
Deferred revenues and other liabilities	(303,245)	(16,721)	72,938
Other, net	18,096	(66,853)	47,308
Net cash provided by operating activities	1,689,589	1,502,035	2,065,906
Cash flows from investing activities:			
Short-term investments	(40,688)	57,509	(117,668)
Acquisitions of businesses, net of cash acquired	(1,289,271)	(1,946,197)	(1,685,415)
Capital expenditures	(1,326,684)	(1,651,489)	(1,332,207)
Proceeds from divestitures of businesses and other sale of assets	650,512	545,143	1,496,562
Other investments	9,781	76,244	(8,877)
Acquisition of minority interests	--	(1,673,168)	(104,165)
Other	(20,563)	36,821	(25,758)
Net cash used in investing activities	(2,016,913)	(4,555,137)	(1,777,528)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	4,246,131	6,401,897	4,616,718
Principal payments on long-term debt	(3,986,677)	(4,406,910)	(4,378,952)
Cash dividends	(6,196)	(93,810)	(309,577)
Net proceeds from issuance of common stock	--	205,863	580,833
Proceeds from sale of treasury stock	--	739,161	--
Proceeds from exercise of common stock options and warrants	175,861	133,119	78,175
Other distributions to minority shareholders by affiliated companies	--	(23,514)	(36,341)
Stock repurchases	--	--	(1,000,208)
Other	(2,941)	(10)	4,402
Net cash provided by (used in) financing activities	426,178	2,955,796	(444,950)
Effect of exchange rate changes on cash and cash equivalents	(4,370)	(5,763)	(5,788)
Increase (decrease) in cash and cash equivalents	94,484	(103,069)	(162,360)
Cash and cash equivalents at beginning of year	86,873	189,942	352,302
Cash and cash equivalents at end of year	$ 181,357	$ 86,873	$ 189,942
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 739,637	$ 610,084	$ 492,593
Income taxes	276,041	253,770	410,438
Non-cash investing and financing activities:			
Note receivable from sale of assets	--	28,571	26,583
Conversion of subordinated debt to common stock	262,814	10,086	1,159
Acquisitions of businesses and development projects:			
Liabilities incurred or assumed	357,378	432,462	222,536
Common stock issued	33,438	180,127	251,863

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

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Net loss	$(397,564)	$(770,702)	$ (938,895)
Other comprehensive income (loss):			
Foreign currency translation adjustment	(76,438)	(77,842)	(180,744)
Minimum pension liability adjustment, net of taxes of ($36,890) in 1999, ($46,982) in 1998, and $7,347 in 1997	(65,844)	(59,769)	11,492
Other comprehensive loss	(142,282)	(137,611)	(169,252)
Comprehensive income (loss)	$(539,846)	$(908,313)	$(1,108,147)

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

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND FINANCIAL STATEMENTS

Business -- Waste Management, Inc. and Subsidiaries ("Waste Management" or the "Company") provides integrated waste management services throughout North America consisting of collection, transfer, disposal (including landfill disposal of hazardous waste), recycling and resource recovery services, as well as other hazardous waste services, and low-level and other radioactive waste services to commercial, industrial, municipal and residential customers. Additionally, the Company is a developer, owner and operator of waste-to-energy and waste-fuel powered independent power facilities. The Company also operates throughout Europe, the Pacific Rim and South America. Internationally, the Company collects and transports solid, hazardous and medical wastes and recyclables from customers and operates solid and hazardous waste landfills and municipal and hazardous waste incinerators, water and wastewater treatment facilities, hazardous waste treatment facilities and constructs treatment or disposal facilities for third parties. The Company plans to dispose of its non-strategic and under-performing assets, including the Company's international operations outside North America ("WM International"), its non-core assets and up to 10% of its North American solid waste ("NASW") operations.

Principles of consolidation -- The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries after elimination of all material intercompany balances and transactions. Investments in affiliated companies in which the Company has a controlling interest are consolidated for financial reporting purposes. Investments in affiliated entities in which the Company does not have a controlling interest are accounted for under either the equity method or cost method of accounting, as appropriate.

WM Holdings Merger -- On July 16, 1998, the Company, then known as USA Waste Services, Inc., completed a merger with Waste Management Holdings, Inc. ("WM Holdings"), which was accounted for as a pooling of interests (the "WM Holdings Merger"). WM Holdings was previously the largest publicly traded solid waste company in the United States, providing integrated solid waste management and hazardous waste management services in North America and comprehensive waste management and related services, including solid and hazardous waste management services, internationally. At the effective time of the WM Holdings Merger, the Company changed its name to "Waste Management, Inc."

Eastern Merger -- On December 31, 1998, the Company completed a merger with Eastern Environmental Services, Inc. ("Eastern"), which was accounted for as a pooling of interests (the "Eastern Merger").

Use of estimates -- The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts for certain revenues and expenses during the reporting period. Specifically with regard to landfill accounting, the Company uses engineering and accounting estimates when projecting future development and final closure and post-closure costs, forecasting various engineering specifications (including the prediction of waste settlement), and future operational plans and waste volumes. Actual results could differ materially from those estimates.

Reclassifications -- Certain reclassifications have been made to prior year amounts in the financial statements in order to conform to the current year presentation.

2. 1999 ACCOUNTING CHARGES AND ADJUSTMENTS

During 1999, the Company initiated a comprehensive internal review of its accounting records, systems, processes and controls at the direction of its Board of Directors. As discussed below, the Company experienced significant difficulty in the integration and conversion of information and accounting systems subsequent to the WM Holdings Merger, including certain financial systems and its billing systems. As a result of these systems and process issues, and other issues raised during the 1999 accounting review, certain

charges and adjustments were recorded, as discussed below. The review was completed in time such that the Company was able to record related adjustments in its financial statements for the quarter ended September 30, 1999. The amounts recorded by the Company as a result of the review had a material effect on its financial statements for the year ended December 31, 1999. The following is a summary of charges attributable to this review which were recorded for the quarter ended September 30, 1999 (in thousands):

Held for sale adjustments		$ 414,275
Increase to allowance for doubtful accounts and other accounts receivable adjustments		211,483
Asset impairments (excluding held for sale adjustments)		178,309
Insurance reserves and other insurance adjustments		147,868
Legal, severance and consulting accruals		141,999
Merger and acquisition related costs		31,568
Other charges and adjustments, including:		
Account reconciliations	347,668	
Loss contract reserve adjustments	49,338	
Increase in environmental liabilities	48,983	
Other	191,026	637,015
Impact of charges before income tax benefit		1,762,517
Income tax benefit		(536,756)
After-tax charges		$1,225,761

In August 1999, the Company's Board of Directors adopted a strategic plan that includes the divestiture of its WM International operations and certain other businesses. (See Note 14, "Segment and Related Information" and Note 19, "Operations Held for Sale" for further discussion of the Company's WM International operations). Based primarily on preliminary bids from interested parties, these and certain other assets which were identified as held for sale during the third quarter were written down to fair value less cost to sell in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long-lived Assets and Assets to be Disposed of, resulting in a pre-tax charge of approximately $414.3 million at September 30, 1999. These assets were considered to be held for use for periods prior to the third quarter of 1999 and did not meet the criteria for impairment recognition as a "held for use" asset, and therefore, were not considered impaired for periods prior to the third quarter of 1999. The assets which were identified as held for sale and subject to adjustment include, among others, the Company's WM International operations, the Company's nuclear services disposal site operations and certain NASW operations that are not essential parts of the Company's network. Revisions to the third quarter estimates were required due to revisions in estimated proceeds and certain changes in business plans during the fourth quarter of 1999, as further discussed in Note 15, "Asset Impairments and Unusual Items".

In 1999, subsequent to the WM Holdings Merger, the Company experienced significant difficulty in the conversion from the WM Holdings' information systems to the systems currently in use, resulting in delays and errors, particularly with respect to the Company's billing systems, including delays in submitting bills to customers and errors in both computing and delivering bills. Staffing levels were insufficient to address customer complaints and disputes and did not support timely follow-up with customers. Billing system issues initially became evident in the second quarter of 1999 as receivable aging levels continued to rise. At that time, management believed that the increase in receivables was a short-term issue, receivables would return to historical levels once the billing system conversions were complete and there was not a significant collectability issue with its recorded receivables. In connection with the 1999 accounting review, the Company concluded that certain of these accounts had deteriorated to the point that they may be uncollectable, and therefore, recorded an increase in the allowance for doubtful accounts in the third quarter of 1999. Beginning in the third quarter of 1999, the Company has increased its resources dedicated to receivable collection efforts and continues to pursue collection of all outstanding balances. In addition, the Company performed a review

of notes and other receivable-related balances in connection with this review. Taken together, the Company recorded receivable-related pre-tax charges of $211.5 million in the third quarter of 1999.

During the review, the Company recorded asset impairments of $178.3 million related to several landfill sites and certain other operating assets in the third quarter of 1999. Included in the amount is $75.7 million relating to the abandonment or closure of facilities resulting from the Company's recent business decisions regarding optimal operating strategies in specific markets in which the Company operates, or consideration of other new facts and circumstances during the review. Also included in the amount is $40.4 million, which is primarily the result of permit denials and other regulatory problems in the third quarter of 1999, which is one of the many types of facts and circumstances that may from time to time trigger impairments, and which may occasionally overlap with other triggering events or result in abandonment or closure.

The Company performs a comprehensive, centrally coordinated review of its North American landfills on an annual basis. During the third quarter of 1999, that review included an evaluation of potential landfill expansion projects, with a newly refined and more stringent set of criteria for evaluating the probability of obtaining expansions to existing sites, which had the effect of excluding certain expansions that met the Company's previous criteria. For further discussion on this criteria, refer to Note 3.

The exclusion of these expansions, due to the more stringent criteria and related business judgements regarding probable success of obtaining expansions, increased depreciation and amortization and the provision for final closure and post closure costs (included in operating expense). Impairments resulting from the application of these new stringent criteria and resulting from other facts and circumstances comprise the remaining $62.2 million impairments included in the $178.3 million of impairments disclosed above.

The Company historically estimated its insurance-related liabilities for its ongoing programs based on an analysis of insurance claims submitted for reimbursement, plus an estimate for liabilities incurred as of the balance sheet date, but not yet reported to the Company. This is the estimation method that had been used by WM Holdings prior to the WM Holdings Merger, and was continued by the Company for that pool of pre-merger WM Holdings' claims. In connection with this review, the Company evaluated the adequacy of its self-insurance liabilities and changed the manner in which it estimates its insurance-related liabilities for its ongoing property and casualty insurance programs. Both of these approaches result in acceptable estimates, but during the review the Company noted that the actuarially determined estimates using a fully-developed method provided a better estimate of the ultimate costs of the claims than a claims made plus incurred but not reported method. Accordingly, in the third quarter of 1999, the Company began estimating all insurance-related liabilities based on actuarially determined estimates of ultimate losses. This change in estimate resulted in an increased pre-tax expense of $43.9 million for the third quarter of 1999. In addition, the Company increased its insurance-related liabilities based on its assessment of current and expected claims activities and unfavorable claims experience, resulting in an additional pre-tax charge of $104.0 million in the third quarter of 1999.

The Company recorded pre-tax charges related to legal, severance and consulting costs incurred in the third quarter of 1999, including increases in legal reserves and related charges of $96.3 million, principally related to increases in legal reserves in response to developments in various legal proceedings brought against WM Holdings by former shareholders of that company in connection with its restatement of earnings in February 1998. These legal developments caused the Company to evaluate the numerous shareholder cases filed against WM Holdings and to reassess their range of exposure. Additionally, the charges included $25.0 million related to severance costs, principally for executives who left the Company in the third quarter of 1999, and $20.7 million of consulting costs related primarily to the accounting review and related matters.

The Company recorded $31.6 million of merger and acquisition related costs during the third quarter of 1999, which consisted of $12.5 million related to a third quarter purchase business combination and

$19.1 million related to the costs incurred by the Company related to the WM Holdings and the Eastern Mergers which are required to be expensed as incurred.

The Company's results of operations for 1999 reflect pre-tax charges of approximately $347.7 million recorded in the third quarter 1999 attributable to the reconciliation of intercompany accounts, cash, accounts receivable, fixed asset, accounts payable and certain other accounts at the Company's operating districts and other locations resulting from the 1999 accounting review. The Company's third quarter accounting review included a detailed review of substantially all of the districts' and other locations' financial and accounting records. That work necessitated a number of adjustments affecting transactions related to the current period and to periods prior to the quarter ended September 30, 1999 involving many different accounts. Although some portion of the charges of $347.7 million may relate to a number of periods, the Company does not have sufficient information to identify all specific charges attributable to individual prior periods. Furthermore, producing the required information to perform such an identification of these charges would be cost prohibitive and disruptive to operations. In connection with the preparation of its third quarter financial statements, the Company concluded that, based on its quantitative and qualitative analysis of available information, and after consultation with its independent public accountants, it did not have, nor was it able to obtain, sufficient information to conclude what amount of charges relate to any individual prior year, although qualitative analysis indicated that these charges were principally related to 1999. Accordingly, the Company has concluded that these charges are appropriately reflected in the 1999 annual financial statements.

The Company evaluated significant contracts under which it provides services. As a result of that review, the Company recorded a pre-tax provision of $49.3 million related to contracts which were determined to be in a loss position, including revisions to previously established reserves based on new facts and circumstances.

The Company increased its estimate by $32.5 million of the ultimate costs required for final closure and post-closure obligations at certain landfills which are either closed or near final closure. That increase, and provisions related to various other environmental matters, totaled $49.0 million as a result of the 1999 accounting review.

In addition to the charges described above, the Company recorded additional pre-tax charges of $191.0 million as a result of the 1999 accounting review. These additional charges involved many different issues at all levels of the Company, including, for example, adjustments to reserves for specific business disputes, adjustments of over- or under- accruals not described elsewhere herein, and numerous other items.

The charges described above, which include both recurring and nonrecurring items that have been aggregated for this presentation, are reflected in the Company's financial statements for the year ended December 31, 1999, as follows (in thousands):

	HELD-FOR-SALE ADJUSTMENTS	ALLOWANCE FOR DOUBTFUL ACCOUNTS AND OTHER ACCOUNTS RECEIVABLE ADJUSTMENTS	OTHER ASSET IMPAIRMENTS	INSURANCE RESERVES AND OTHER INSURANCE ADJUSTMENTS	LEGAL, SEVERANCE AND CONSULTING ACCRUALS	MERGER AND ACQUISITION RELATED COSTS	OTHER CHARGES AND ADJUSTMENTS	TOTAL (INCLUDES RECURRING AND NON-RECURRING ITEMS)
Operating revenues	$ --	$ (44,164)	$ --	$ --	$ --	$ --	$ 13,236	$ (30,928)
Costs and expenses:								
Operating (exclusive of depreciation and amortization shown below)	--	--	--	143,086	--	--	423,331	566,417
General and administrative	--	167,319	--	4,782	57,599	--	172,029	401,729
Depreciation and amortization	--	--	--	--	--	--	59,628	59,628
Merger and acquisition related costs	--	--	--	--	--	31,568	--	31,568
Asset impairments and unusual items	414,275	--	178,309	--	84,400	--	3,300	680,284
Loss from continuing operations held for sale, net of minority interest	--	--	--	--	--	--	--	--
	414,275	167,319	178,309	147,868	141,999	31,568	658,288	1,739,626
Loss from operations	(414,275)	(211,483)	(178,309)	(147,868)	(141,999)	(31,568)	(645,052)	(1,770,554)
Other income (expense)								
Interest expense	--	--	--	--	--	--	702	702
Interest income	--	--	--	--	--	--	13,359	13,359
Minority interest	--	--	--	--	--	--	(288)	(288)
Other income (expense)	--	--	--	--	--	--	(5,736)	(5,736)
	--	--	--	--	--	--	8,037	8,037
Loss before income taxes and extraordinary items	$(414,275)	$(211,483)	$(178,309)	$(147,868)	$(141,999)	$(31,568)	$(637,015)	(1,762,517)
Benefit from income taxes								536,756
Net loss								$(1,225,761)

Subsequent to the completion of the accounting review, and in conjunction with the process of preparing its monthly financial statements during the fourth quarter of 1999 and on a final basis at December 31, 1999, additional adjustments attributable to the reconciliation of intercompany accounts, cash, accounts receivable, fixed assets, accounts payable and certain other accounts were recorded.

The Company recorded significant adjustments in the third and fourth quarters of 1999, certain of which affect periods prior to these quarters. Accordingly, the Company, after consultation with its independent public accountants, has concluded that its internal controls for the preparation of interim financial information did not provide an adequate basis for its independent public accountants to complete reviews of the quarterly financial data for the quarters during 1999. The Company believes that certain charges that were recorded in the third and fourth quarters of 1999 may relate to individual prior periods; however, the Company does not have sufficient information to identify all specific charges attributable to prior periods. If identification of all specific charges attributable to individual prior periods were possible, the Company believes that the reported results of operations presented in Note 20 to the financial statements for the third and fourth quarters of 1999 would have been favorably impacted, and the reported results of operations for the first and second quarters of 1999 would have been adversely impacted. In connection with the preparation of its third quarter financial statements, the Company concluded, based on its quantitative and qualitative analysis of available information, after consultation with its independent public accountants, that it did not have, nor was it able to obtain, sufficient information to conclude what amount of the charges relate to any individual prior year, although

qualitative analysis indicates that these charges are principally related to 1999. Accordingly, the Company has concluded that these charges were appropriately reflected in the 1999 annual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents -- Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper purchased with original maturities of three months or less.

Restricted funds held by trustees -- Restricted funds held by trustees of $167.1 million and $153.0 million at December 31, 1999 and 1998, respectively, are included in other non-current assets and consist principally of funds deposited in connection with landfill final closure and post-closure obligations, insurance escrow deposits, and amounts held for landfill and other construction arising from industrial revenue financings. These amounts are principally invested in fixed income securities of federal, state and local governmental entities and financial institutions. The Company considers its landfill final closure, post-closure and construction escrow investments to be held to maturity. At December 31, 1999 and 1998, the aggregate fair value of these investments approximates their net book value and substantially all of these investments mature within one year. The Company's insurance escrow funds are invested in pooled investment accounts that hold debt and equity securities and are considered to be available for sale. The market value of those pooled accounts approximates their aggregate cost at December 31, 1999 and 1998.

Concentrations of credit risk -- Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high quality financial institutions and limits the amount of credit exposure with any one institution. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers comprise the Company's customer base, thus spreading the trade credit risk. At December 31, 1999 and 1998, no single group or customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit evaluations, credit limits, and monitoring procedures. The Company performs credit evaluations for commercial and industrial customers and performs ongoing credit evaluations of its customers, but generally does not require collateral to support accounts receivable.

Derivative financial instruments -- From time to time, the Company uses derivatives to manage interest rate and currency risk. At December 31, 1999, the Company also engaged in hedging of recyclable paper price risk. The Company's policy is to use derivatives for risk management purposes only, which includes maintaining the ratio between the Company's fixed and floating rate debt obligations that management deems appropriate, and prohibits entering into such contracts for trading purposes. The Company enters into derivatives only with counterparties (primarily financial institutions) which have substantial financial wherewithal to minimize credit risk. The amount of gains or losses from the use of derivative financial instruments has not been and is not expected to be material to the Company's financial statements.

Instruments accounted for as hedges must be effective at managing risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in market values or cash flows of hedge instruments must have a high degree of inverse correlation with changes in market values or cash flows of the underlying hedged items. Derivatives that meet the hedge criteria are accounted for under the deferral or accrual method. See Note 9.

Operations held for sale -- It is the Company's policy to classify the businesses that the Company is marketing for sale and the portfolio of real estate that the Company considers surplus and is marketing for sale, as operations held for sale. The carrying values of these assets are written down to fair value, less costs to sell. These charges are based on estimates and certain contingencies that could materially differ from actual results and resolution of any such contingencies. In the fourth quarter of 1999, the Company identified certain

operations for sale whose depreciation on fixed assets was discontinued as of October 1, 1999. If depreciation had not been discontinued, depreciation and amortization for 1999 would have increased by $45.6 million.

Property and equipment -- Property and equipment are recorded at cost. Except for the Company's waste-to-energy and independent power facilities, expenditures for major additions and improvements are capitalized, while minor replacements, maintenance and repairs are charged to expense as incurred. At the Company's waste-to-energy and independent power facilities, the Company accrues for major maintenance expenditures. Such accruals are based upon planned maintenance expenditures and are classified as current or non-current liabilities based on the expected timing of the expenditures.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations as increases or offsets to operating expense for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant property and equipment categories are as follows (in years):

	OCTOBER 1, 1997 AND THEREAFTER	PRIOR TO OCTOBER 1, 1997
Vehicles	3 to 10	3 to 12
Machinery and equipment	3 to 20	3 to 20
Commercial and roll-off containers	8 to 12	8 to 20
Buildings and improvements	10 to 40	10 to 40

As of October 1, 1997, and thereafter, the Company assumes no salvage value for its depreciable North American fixed assets. Prior to October 1, 1997, WM Holdings assigned salvage value to certain fixed asset categories as described in Note 5.

Landfill accounting -- Capitalizable landfill site costs are recorded at cost. Recorded costs, net of recorded amortization, are added to estimated projected costs to determine the amount to be amortized over the remaining estimated useful life of a site. Amortization is recorded on a units of consumption basis, typically applying cost as a rate per ton. Landfill site costs are amortized to expected net realizable value upon final closure of a landfill.

The difference between the present value of a landfill's estimated total final closure and post-closure costs and amounts accrued to date is accrued prospectively on a units of consumption basis, typically by applying a rate per ton over the remaining capacity of the landfill. The present value of final closure and post-closure costs are accrued for each landfill once the site discontinues operations.

The remaining capacity of a landfill is determined by the unutilized permitted airspace and expansion airspace when the success of obtaining such expansion permit is considered probable.

Effective as of the third quarter of 1999, the Company applied a newly defined, more stringent set of criteria for evaluating the probability of obtaining an expansion permit to landfill airspace at existing sites, which are as follows:

- Personnel are actively working to obtain land use, 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;
- The respective landfill owners or the Company has 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 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 from 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 an approval from the Company's Chief Financial Officer and prompt review by the Audit Committee of the Board of Directors. Such exceptions are generally due to permit application processes beyond the one-year limit, which in most cases, are due to state-specific permitting procedures. Generally, the Company has been successful in receiving approvals for expansions pursued; however, there can be no assurance that the Company will be successful in obtaining landfill expansions in the future.

As disposal volumes are affected by seasonality and competitive factors, airspace amortization varies between fiscal quarters due to changes in volumes of waste disposal at the Company's landfills. Airspace amortization is also affected by changes in engineering costs and estimates.

Business combinations -- The Company assesses each business combination to determine whether the pooling of interests or the purchase method of accounting is appropriate. For those business combinations accounted for under the pooling of interests method, the financial statements are combined with those of the Company at their historical amounts, and, if material, all periods presented are restated as if the combination occurred on the first day of the earliest year presented. For those acquisitions accounted for using the purchase method of accounting, the Company allocates the cost of the acquired business to the assets acquired and the liabilities assumed based on estimates of fair values thereof. These estimates are revised during the allocation period as necessary when, and if, information regarding contingencies becomes available to define and quantify assets acquired and liabilities assumed. The allocation period generally does not exceed one year. To the extent contingencies such as preacquisition environmental matters, litigation and related legal fees are resolved or settled during the allocation period, such items are included in the revised allocation of the purchase price. After the allocation period, the effect of changes in such contingencies is included in results of operations in the periods in which the adjustments are determined. The Company does not believe potential differences between its fair value estimates and actual fair values will be material.

In certain business combinations, the Company agrees to pay additional amounts to sellers contingent upon achievement by the acquired businesses of certain negotiated goals, such as targeted revenue levels, targeted disposal volumes or the issuance of permits for expanded landfill airspace. Contingent payments, when incurred, are recorded as purchase price adjustments or compensation expense, as appropriate, based on the nature of each contingent payment.

Excess of cost over net assets of acquired businesses and other intangible assets -- The excess of cost over net assets of acquired businesses is amortized on a straight-line basis over a period not greater than 40 years commencing on the dates of the respective acquisitions. Accumulated amortization for the excess of cost over net assets of acquired businesses was $627.2 million and $813.6 million at December 31, 1999 and 1998, respectively. Other intangible assets consist primarily of customer lists, covenants not to compete, licenses and permits. Other 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 contracts are amortized over the shorter of the definitive terms of the related agreements or 40 years. Accumulated amortization for other intangible assets was $135.9 million and $113.3 million at December 31, 1999 and 1998, respectively. The Company recorded $271.0 million, $184.1 million and $149.7 million of amortization expense for excess of costs over net assets of acquired businesses and other intangibles for 1999, 1998 and 1997, respectively.

Long-lived assets -- Long-lived assets consist primarily of property and equipment, excess of cost over net assets of acquired businesses, and other intangible assets. The recoverability of long-lived assets is evaluated periodically at the operating unit level by an analysis of operating results and consideration of other significant events or changes in the business environment. If an operating unit has indications of possible impairment, such as current operating losses, the Company will evaluate whether impairment exists on the basis of undiscounted expected future cash flows from operations for the remaining amortization period. If an impairment loss exists, the carrying amount of the related long-lived assets is reduced to its estimated fair value.

Contracts in process -- Contracts in process relate to contracts involving a substantial construction component. For 1998, such contracts primarily related to activities performed by the Company's international operations. In 1999, this presentation does not include contracts for certain of the Company's WM International operations because they have been classified as operations held for sale as of December 31, 1999. Contracts in process are as follows (in thousands):

	DECEMBER 31,	
	1999	1998
Costs and estimated earnings on uncompleted contracts.....	$ 143,185	$ 1,312,158
Less billings on uncompleted contracts.....	(137,594)	(1,213,795)
Total contracts in process.....	$ 5,591	$ 98,363

Contracts in process are included in the accompanying balance sheets under the following captions (in thousands):

	DECEMBER 31,	
	1999	1998
Costs and estimated earnings in excess of billings on uncompleted contracts.....	$ 8,985	$127,975
Billings in excess of costs and estimated earnings on uncompleted contracts (included in deferred revenues).....	(3,394)	(29,612)
Total contracts in process.....	$ 5,591	$ 98,363

As of December 31, 1999, all contracts in process are expected to be billed and collected within two years.

Income taxes -- Deferred income taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred income tax expense represents the change during the reporting period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Foreign currency -- The functional currency of the majority of the Company's foreign operations is the local currency of the country in which the Company operates. Adjustments resulting from the translation of financial information are included in comprehensive income.

Revenue recognition -- The Company recognizes revenues on service contracts as services are provided. Amounts billed and collected prior to services being performed are included in deferred revenues. Results

from long-term contracts involving a substantial construction component are recorded on the percentage-of-completion basis. Changes in project performance and conditions, estimated profitability and final contract settlements may result in future revisions to long-term construction contract costs and income.

Capitalized interest -- Interest is capitalized on certain projects under development including greenfield landfill projects and probable landfill expansion projects, and on certain assets under construction, including operating landfills and waste-to-energy facilities. The capitalization of interest for operating landfills is based on the costs incurred on discrete cell construction projects, plus an allocated portion of the common site costs. The common site costs include the development costs of a greenfield site or the purchase price of an operating landfill, and the ongoing infrastructure costs benefiting the lifecycle of the landfill. Cell construction costs include the construction of cell liners and final capping during the operating life of the site. During 1999, 1998, and 1997, total interest costs were $804.0 million, $723.0 million and $607.0 million, respectively, of which $34.3 million, $41.5 million and $51.4 million were capitalized, respectively.

Cumulative Effect of Change in Accounting Principle -- In the fourth quarter of 1997, the Company began expensing process reengineering costs in accordance with the Financial Accounting Standards Board Emerging Issues Task Force Issue No. 97-13. Accordingly, the Company expensed any amounts previously capitalized, which reduced net income by $1.9 million in 1997.

New accounting pronouncements -- In June 1998, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities was issued. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and derivatives used for hedging purposes. SFAS No. 133 requires that entities recognize all derivative financial instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133, as amended by SFAS No. 137, is effective for the Company in its first fiscal quarter of 2001. Management is currently assessing the impact that the adoption of SFAS No. 133 will have on the Company's financial statements.

4. BUSINESS COMBINATIONS

Pooling of Interests Transactions

On December 31, 1998, the Company consummated the Eastern Merger, which was accounted for as a pooling of interests, and accordingly, the accompanying financial statements include the accounts and operations of Eastern for all periods presented. Under the terms of the Eastern Merger, the Company issued 0.6406 of a share of its common stock for each share of Eastern's outstanding common stock. Prior to the Eastern Merger, the Company owned approximately 1.3% of Eastern's outstanding shares, which were canceled on the effective date of the Eastern Merger. The Eastern Merger increased the Company's outstanding shares of common stock by approximately 24.5 million shares, and the Company assumed Eastern's stock options equivalent to approximately 2.3 million underlying shares of the Company's common stock. The results of operations for Eastern prior to consummation of the Eastern Merger for the restated periods are as follows (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30, 1998 (UNAUDITED)	YEAR ENDED DECEMBER 31, 1997
Operating revenues	$227,821	$170,148
Income from continuing operations before income taxes	34,121	6,016
Net income	17,483	4,139

Prior to December 31, 1997, Eastern reported on a June 30 fiscal year-end. The accounts of Eastern for its 1997 fiscal year have been consolidated with the accounts of the Company as of and for the year ended December 31, 1997. Operating revenues and net income for Eastern for the six-month period ended

December 31, 1997, were approximately $119.5 million and $5.3 million, respectively. Accordingly, an adjustment is included in the Company's 1998 financial statements for this six-month period. In addition, Eastern issued shares of its common stock in connection with acquisitions and a public offering during that six-month period.

On July 16, 1998, the Company consummated a merger with WM Holdings, which was accounted for as a pooling of interests and, accordingly, the accompanying financial statements include the accounts and operations of WM Holdings for all periods presented. Under the terms of the WM Holdings Merger, the Company issued 0.725 of a share of its common stock for each share of WM Holdings outstanding common stock. The WM Holdings Merger increased the Company's outstanding shares of common stock by approximately 354.0 million shares, and the Company assumed WM Holdings' stock options equivalent to approximately 16.0 million underlying shares of the Company's common stock. Any unvested WM Holdings' stock options granted prior to March 10, 1998 vested upon consummation of the WM Holdings Merger due to change of control provisions. The results of operations for WM Holdings prior to consummation of the WM Holdings Merger for the restated periods are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 1998 (UNAUDITED)	YEAR ENDED DECEMBER 31, 1997
Operating revenues	$2,131,621	$ 9,188,582
Income (loss) from continuing operations before income taxes	170,968	(1,053,673)
Net income (loss)	74,417	(1,176,104)

In 1999, the Company incurred approximately $44.6 million in merger costs primarily related to the WM Holdings Merger and the Eastern Merger. The table below reflects the amounts charged to merger costs in 1998 related to the WM Holdings Merger and the Eastern Merger (in thousands):

	WM HOLDINGS CHARGES IN 1998	EASTERN CHARGES IN 1998
Transaction or deal costs, primarily professional fees and filing fees	$ 124,100	$ 14,300
Employee severance, separation and transitional costs	323,900	25,500
Restructuring charges relating to the consolidation and relocation of operations, and the transition and implementation of information systems	166,900	20,500
Estimated loss on the sale of:		
Assets to comply with governmental orders	255,000	32,200
Duplicate facilities and related leasehold improvements	188,900	29,300
Duplicate revenue producing assets	26,200	32,400
Provision for the abandonment of:		
Revenue producing assets	126,600	3,000
Non-revenue producing assets, consisting of landfill projects and leasehold improvements which were determined to be duplicative assets from the related merger	263,000	6,500
Other assets, consisting primarily of computer hardware and software costs which have no future value	150,300	1,500
Total	$1,624,900	$165,200

Merger and acquisition related costs include estimates for anticipated losses from the sales of assets pursuant to governmental orders and other asset divestiture plans. These anticipated losses have been estimated based on the Company's assessment of relevant facts and circumstances, including consideration of

the various provisions of asset sale agreements. In certain instances, the asset sale agreements contain contingencies, the resolution of which are uncertain and may materially change the proceeds which the Company will ultimately receive. During the second quarter of 1999, the Company resolved an outstanding contingency regarding its governmentally-ordered sale of assets to Republic Services, Inc., which reduced the previously reported loss on that sale by approximately $80.0 million. Offsetting this amount in the same quarter, the Company (i) consummated its sale of 51% of its non-land disposal hazardous waste operations and on-site industrial cleaning services to Vivendi S.A. which resulted in losses of approximately $79 million greater than previously estimated; (ii) increased its anticipated losses by approximately $14 million related to the assets required to be sold pursuant to the Eastern Merger; and (iii) decreased other anticipated losses by approximately $13 million.

Furthermore, the Company recorded certain unusual charges of $864.1 million in 1998 that were primarily, yet indirectly, related to the WM Holdings Merger as discussed in Note 15.

On August 26, 1997, the Company consummated a merger with United Waste Systems, Inc. ("United") which was accounted for as a pooling of interests (the "United Merger") and, accordingly, the accompanying financial statements include the accounts and operations of United for all periods presented. Under the terms of the United Merger, the Company issued 1.075 shares of its common stock for each outstanding share of United common stock. Additionally, at the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were canceled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. The United Merger increased the Company's outstanding shares of common stock by approximately 51.9 million shares, which includes approximately 1.9 million shares exchanged for the United stock options. In the third quarter of 1997, the Company incurred approximately $89.2 million in merger costs associated with the United Merger. Of this amount, $17.6 million was for transaction costs, $26.2 million for severance and other termination benefits, $21.6 million for integration of operations, and $23.8 million for disposal of duplicate facilities and impaired assets as a result of the United Merger. The results of operations for United prior to consummation of the United Merger for the restated periods are as follows (in thousands):

	SIX MONTHS ENDED JUNE 30, 1997
	(UNAUDITED)
Operating revenues	$216,619
Net income	23,849

Purchase Acquisitions and Acquisitions of Minority Interests

During 1999, the Company consummated over 240 acquisitions that were accounted for under the purchase method of accounting. The total cost of acquisitions was approximately $1.4 billion, which included cash paid, common stock issued and debt assumed.

The Company consummated purchases of outstanding minority interest and numerous acquisitions in 1998 that were accounted for under the purchase method of accounting. The total cost of all acquisitions accounted for under the purchase method of accounting, and completed purchases of outstanding minority interests, was approximately $4.1 billion in 1998.

The pro forma information set forth below assumes acquisitions in 1999 and 1998 accounted for as if the purchases had occurred at the beginning of 1998. The pro forma information is presented for informational

purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated at that time (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,	
	1999	1998
	(UNAUDITED)	(UNAUDITED)
Operating revenues	$13,423,975	$13,824,390
Loss from continuing operations	(376,238)	(688,379)
Net loss	(378,751)	(692,279)
Basic loss per common share:		
Loss from continuing operations	(0.61)	(1.17)
Net loss	(0.62)	(1.18)
Diluted loss per common share:		
Loss from continuing operations	(0.61)	(1.17)
Net loss	(0.62)	(1.18)

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	DECEMBER 31,	
	1999	1998
Land and landfills	$ 8,009,123	$ 8,358,535
Vehicles	2,761,866	2,889,029
Machinery and equipment	2,254,390	3,069,041
Containers	1,871,228	1,846,226
Buildings and improvements	1,383,203	1,624,614
Furniture and fixtures	189,466	509,137
	16,469,276	18,296,582
Less accumulated depreciation and amortization	6,165,473	6,670,925
	$10,303,803	$11,625,657

Depreciation and amortization expense for property and equipment was $1.3 billion for each of 1999 and 1998, and $1.2 billion for 1997.

The exclusion of certain landfill expansions from the airspace amortization estimates due to more stringent criteria (see Note 3) and related business judgements regarding probable success increased depreciation and amortization expense and the provision for final closure and post-closure (included in operating expenses) in the second half of 1999. The exclusions of these expansions also resulted in the Company recognizing $32.6 million in landfill impairments in the third quarter of 1999 (see Note 2).

Effective October 1, 1997, the Board of Directors of WM Holdings approved a revision to WM Holdings' North American collection fleet management policy. Under the revised policy, WM Holdings replaced front-end loaders after eight years, and rear-end loaders and roll-off trucks after ten years. The previous policy was to not replace front-end loaders before they were a minimum of ten years old and other heavy collection vehicles before they were a minimum of 12 years old. As a result of this decision, the Company recognized an impairment writedown of $70.9 million in the fourth quarter of 1997 for those vehicles scheduled for replacement in the next two years under the new policy. Depreciable lives were adjusted for the WM Holdings' fleet commencing in the fourth quarter of 1997 to reflect the new policy. Also effective October 1, 1997, WM Holdings reduced depreciable lives on containers from 15 and 20 years to 12 years, and ceased assigning salvage value in computing depreciation on North American collection vehicles or containers. These changes in estimates resulted in an increase in depreciation expense of $33.7 million in the fourth quarter of 1997.

Upon consummation of the WM Holdings Merger, WM Holdings' replacement policies were conformed with that of the Company, which are materially consistent with the revised WM Holdings' policy stated above.

Also effective October 1, 1997, WM Holdings changed its process of evaluating the probability that airspace from expansions would be permitted. This change in estimate decreased the useful lives of certain WM Holdings landfills and increased depreciation and amortization expense and the provision for final closure and post-closure by $15.8 million in the fourth quarter of 1997.

6. LONG-TERM DEBT

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

	DECEMBER 31,	
	1999	1998
Bank credit facilities	$ 2,250,000	$ 1,903,100
Commercial paper, average interest of 5.5% in 1999 and 5.7% in 1998	21,899	840,108
Senior notes and debentures, interest of 6% to 8 3/4% through 2029	6,749,785	5,959,884
4% Convertible subordinated notes due 2002	535,275	535,275
4 1/2% Convertible subordinated notes due 2001	--	148,370
5% Convertible subordinated debentures due 2006	--	114,445
5.75% Convertible subordinated notes due 2005	426,726	453,680
Tax-exempt and project bonds, principal payable in periodic installments, maturing through 2021, fixed and variable interest rates ranging from 4.75% to 9.25% at December 31, 1999	1,234,668	1,220,634
Installment loans, notes payable, and other, interest to 14%, maturing through 2015	279,735	556,865
	11,498,088	11,732,361
Less current maturities	3,098,742	597,742
	$ 8,399,346	$11,134,619

The aggregate estimated payments, including scheduled minimum maturities, of long-term debt outstanding at December 31, 1999, are as follows (in thousands).

2000	$ 3,098,742(a)
2001	755,925
2002	1,552,351
2003	587,966
2004	725,197
Thereafter	4,777,907
	$11,498,088

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

(a) Consists of $848.7 million that will be repaid in 2000 under the terms of the respective credit agreements and $2.25 billion of debt, which is classified as current based on the likelihood that the Company will be in non-compliance with certain of the financial requirements under its credit agreements in the year 2000.

The Company has a $3 billion syndicated loan facility (the "Syndicated Facility") and a $2 billion senior revolving credit facility (the "Credit Facility"). The Syndicated Facility requires annual renewal by the lender and provides for a one-year term option at the Company's request in the event of non-renewal. The Syndicated Facility is available for borrowings, including letters of credit, and for supporting the issuance of commercial paper. The covenant restrictions for the Syndicated Facility and Credit Facility include, among others, interest coverage and debt capitalization ratios, limitations on dividends, additional indebtedness and liens. The

Syndicated Facility and Credit Facility are used to refinance existing bank loans and letters of credit, to fund acquisitions, and for working capital purposes.

As a result of the charges and adjustments recorded in the third quarter of 1999 (see Note 2), absent waivers, the Company would not have been in compliance with certain financial covenants as required by its bank credit facilities as of September 30, 1999. The Company received waivers from each of its bank groups for the period ended September 30, 1999, enabling the Company to be in full compliance with and have full access to its existing bank credit facilities. In December 1999, the Company received unanimous approval for amendments to its existing $2 billion, $3 billion, and Eurocurrency bank credit facilities. The approvals provide permanent amendments to the waivers previously granted to the Company related to its operating results for the third quarter of 1999. Additionally, the amended terms and conditions of the facilities contain the necessary provisions for the Company to proceed with its strategy of divesting certain of its international and non-core assets.

Under the terms of the Syndicated Facility and Credit Facility, the Company is obligated to repay its indebtedness under such facilities with the cash proceeds to be received from the divestitures of its WM International operations, domestic non-core assets and up to 10% of its NASW operations pursuant to its strategic plan. Specifically, the Company must use all of the first $1.5 billion of net proceeds it receives from the sales of any domestic operations to repay indebtedness under the Syndicated Facility and Credit Facility. Additionally, 50% of the net proceeds greater than $1.5 billion but less than $2.5 billion from sales of domestic operations must be used to repay indebtedness under such facilities. Finally, all net proceeds from the divestiture of WM International operations must be used to repay indebtedness under the Company's Eurocurrency facilities. The net proceeds remaining after the repayment of the Eurocurrency facilities will be counted as, and therefore subject to the same requirements to repay the Syndicated Facility and Credit Facility as, net proceeds received from the sales of domestic operations.

The Company was in compliance with all financial requirements under its credit agreements as of December 31, 1999. However, the Company anticipates that its cash flows from operations for the year 2000 will likely not be sufficient for the Company to maintain compliance with certain of the financial ratios contained in its Syndicated Facility, Credit Facility, and Eurocurrency credit facilities. Therefore, it has classified the borrowings outstanding under the Syndicated Facility and the Credit Facility as short-term obligations as of December 31, 1999. The Eurocurrency credit facility is included in operations held for sale at December 31, 1999. As discussed in the preceding paragraph, the Company expects to make a substantial principal reduction on these facilities with the net proceeds of its anticipated divestitures. The Company intends to pursue waivers or amendments of such agreements in advance of any potential violation of the credit agreements. However, there can be no assurance that, in the event the Company actually violates its agreements, that such waivers or amendments will be obtained. Failure to obtain such waivers or amendments would have an adverse effect on the Company's financial condition, results of operations and cash flows.

At December 31, 1999, the Company had borrowings of $1.75 billion under the Syndicated Facility at 7.54% interest, and had borrowings of $500.0 million under the Credit Facility at 7.25% interest. The facility fees were 0.20% and 0.25% per annum under the Syndicated Facility and Credit Facility, respectively, at December 31, 1999. The Company had issued letters of credit of approximately $1.2 billion in aggregate under the Syndicated Facility and Credit Facility leaving unused and available credit capacity of approximately $1.5 billion at December 31, 1999.

At December 31, 1998, the Company's long-term debt balances included two Eurocurrency credit facilities. On December 17, 1999, the Company's two Eurocurrency facilities were converted into two Euro term loans totaling Euro 180.6 million (equivalent to approximately $181.9 million). These loans are included in current liabilities of operations held for sale at December 31, 1999, as they relate to WM International operations, which are being sold pursuant to the Company's strategic plan. These facilities mature on July 3,

2000. The initial interest rate is 4.80% for the first 32 day period and will be reset based on Euro LIBOR rates each 30 days until paid.

In 1999, the Company redeemed its $150.0 million of 4 1/2% convertible subordinated notes and its $115.0 million of 5% convertible subordinated debentures. These debentures were subsequently converted into equity by the debenture holders. Approximately 9.0 million shares of the Company's common stock were issued upon such conversions.

On May 21, 1999, the Company completed a private placement of $1.15 billion of its senior notes. The Company issued $200.0 million of 6% senior notes, due 2001; $200.0 million of 6 1/2% senior notes due 2004; $500.0 million of 6 7/8% senior notes due 2009; and $250.0 million of 7 3/8% senior notes due 2029. The senior notes constitute senior and unsecured obligations of the Company ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined in the indenture. The 6% senior notes are not redeemable by the Company. The 6 1/2% senior notes, the 6 7/8% senior notes, and 7 3/8% senior notes are redeemable, in whole or in part, at the option of the Company at any time, or from time to time, at a redemption price defined in the indenture. Interest is payable semi-annually on May 15 and November 15. All proceeds from the private placement notes were used to repay outstanding debt under the Credit Facility and to reduce the amount of commercial paper outstanding.

On July 17, 1998, the Company issued $600.0 million of 7% senior notes, due on July 15, 2028 (the "7% Notes") and $600.0 million of 6 1/8% mandatorily tendered senior notes, due on July 15, 2011 (the "6 1/8% Notes"). The 7% Notes are redeemable, in whole or in part, at the option of the Company at any time and from time to time at the redemption price, as defined in the indenture. The 6 1/8% Notes are subject to certain mandatory tender features as described in the indenture, which may require the purchase by the Company of a portion of or all of the outstanding notes on July 15, 2001. The proceeds from the 7% Notes and 6 1/8% Notes were used to repay outstanding indebtedness under the Company's credit facilities. Interest on the 7% Notes and 6 1/8% Notes is payable semi-annually on January 15 and July 15.

On December 17, 1997, the Company issued $350.0 million of 6 1/2% senior notes due December 15, 2002, and $150.0 million of 7 1/8% senior notes due December 15, 2017. The senior notes constitute senior and unsecured obligations of the Company ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined in the indenture. The 6 1/2% senior notes due December 15, 2002, are not redeemable. The $150.0 million of 7 1/8% senior notes due December 15, 2017, are redeemable, in whole or in part, at the option of the Company at any time and from time to time at a redemption price defined in the indenture. Interest is payable semi-annually on December 15 and June 15. The proceeds were used to repay debt under the Company's credit facilities.

On February 7, 1997, the Company issued $535.3 million of 4% convertible subordinated notes, due on February 1, 2002. Interest is payable semi-annually in February and August. The notes are convertible by the holders into shares of the Company's common stock at any time at a conversion price of $43.56 per share. The notes are subordinated in right of payment to all existing and future senior indebtedness, as defined in the indenture. The notes are redeemable after February 1, 2000 at the option of the Company at 101.6% of the principal amount, declining to 100.8% of the principal amount on February 1, 2001 and thereafter until maturity, at which time the notes will be redeemed at par, plus accrued interest. The proceeds were primarily used to repay debt under the Company's bank borrowings, to fund acquisitions, and for general corporate purposes.

The 5.75% convertible subordinated notes due 2005 are subordinated to all existing and future senior indebtedness of the Company. Each note bears cash interest at the rate of two percent per annum of the $1,000 principal amount at maturity, payable semi-annually. The difference between the principal amount at maturity of $1,000 and the $717.80 stated issue price of each note represents the stated discount. At the option of the holder, each note can be redeemed for cash by the Company on March 15, 2000, at $843.03. Accrued

unpaid interest to those dates will also be paid. The notes will be callable by the Company on and after March 15, 2000, for cash, at the stated issue price plus accrued stated discount and accrued but unpaid interest through the date of redemption. In addition, each note is convertible at any time prior to maturity into approximately 18.9 shares of the Company's common stock, subject to adjustment upon the occurrence of certain events. Upon any such conversion, the Company will have the option of paying cash equal to the market value of the shares which would otherwise be issuable. Since these securities are redeemable at the option of the holders prior to maturity, the outstanding balance is classified as current in the accompanying financial statements. In December of 1999, the Company began repurchasing its 5.75% convertible notes. At December 31, 1999, the Company had repurchased $32.3 million of these notes. Through March 16, 2000, the Company had repurchased an additional $397.9 million of the remaining outstanding notes.

7. ENVIRONMENTAL LIABILITIES

The Company has material financial commitments for the costs associated with its future obligations for final closure, which is the closure of the landfill and the capping of the final uncapped areas of a landfill or the costs required by regulation associated with existing operations at a hazardous waste treatment, storage or disposal facility which are subject to the Toxic Substances Control Act ("TSCA") or Subtitle C of the Resource Conservation and Recovery Act ("RCRA"), and post-closure maintenance of those facilities. Estimates 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 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 are accrued using the calculated rate per ton and charged to expense as airspace is consumed such that the present value of total estimated final closure and post-closure cost will be accrued for each landfill at the time the site discontinues accepting waste and is closed. In the United States, the final closure and post-closure requirements are established under the standards of the United States Environmental Protection Agency's Subtitle C and D regulations, as implemented and applied on a state-by-state basis. Such costs may increase in the future as a result of legislation or regulation. 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 based upon the estimated final closure and post-closure costs and the percentage of airspace utilized as of such date. 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 expense as airspace is consumed. Such costs for foreign landfills are estimated based on compliance with local laws, regulations and customs. For other facilities, final closure and post-closure costs are determined in consideration of regulatory requirements.

The Company has also established procedures to evaluate its potential remedial liabilities at closed sites which it owns or operates, or to which it transported waste, including 84 sites listed on the Superfund National Priorities List ("NPL") as of December 31, 1999. The majority of situations involving NPL sites relate to allegations that subsidiaries of the Company (or their predecessors) transported waste to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. The Company routinely reviews and evaluates sites that require remediation, including NPL sites, giving consideration to the nature (e.g., owner, operator, transporter, or generator), and the extent (e.g., amount and nature of waste hauled to the location, number of years of site operation by the Company, or other relevant factors) of the Company's alleged connection with the site, the accuracy and strength of evidence connecting the Company to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties ("PRPs"), and the nature and estimated cost of the likely remedy. Cost estimates are 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 are jointly and severally 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 such 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, then the Company provides for the minimum amount within the range in accordance with SFAS No. 5, Accounting for Contingencies. The Company believes that it is "reasonably possible," as that term is defined in SFAS No. 5 ("more than remote but less than likely"), that its potential liability, at the high end of such ranges, would be approximately $190.0 million higher, on a discounted basis in the aggregate than the estimate that has been recorded in the consolidated financial statements as of December 31, 1999.

Estimates of the extent 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 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. While the Company does not anticipate that any such adjustment would be material to its financial statements, it is reasonably 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 which could be material.

As part of its ongoing operations, the Company reviews its reserve requirements for remediation and other environmental matters based on an analysis of, among other things, the regulatory context surrounding landfills and remaining airspace capacity in light of changes to operational efficiencies. Accordingly, revisions to remediation reserve requirements may result in upward or downward adjustments to income from operations in any given period. Adjustments for final closure and post-closure estimates are accounted for prospectively over the remaining capacity of the landfill.

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 (2% at December 31, 1999 and 1998) until expected time of payment and then discounted to present value (5.5% at December 31, 1999 and 1998). The accretion of the interest related to the discounted environmental liabilities is included in the annual calculation of the landfill's final closure and post-closure cost per ton and is charged to operating expense as landfill airspace is consumed. The portion of the Company's recorded environmental liabilities that is not inflated or discounted was approximately $370.6 million and $492.3 million at December 31, 1999 and 1998, respectively. Had the Company not discounted any portion of its liability, the amount recorded would have been increased by approximately $342.9 million at December 31, 1999.

The Company's liabilities for final closure, post-closure and environmental remediation costs are as follows (in thousands):

	DECEMBER 31,	
	1999	1998
Current portion, included in accrued liabilities.....	$ 140,101	$ 150,592
Non-current portion.....	837,407	1,040,747
Total recorded.....	977,508	$1,191,339
Amount to be provided including discount of $342,900 related to recorded amounts.....	1,657,578	
Expected aggregate environmental liabilities based on current cost.....	$2,635,086	

Anticipated payments (based on current costs) of environmental liabilities at December 31, 1999, are as follows (in thousands):

2000	$ 140,101
2001	64,599
2002	61,248
2003	55,313
2004	40,468
Thereafter	2,273,357
Total	$2,635,086

In addition to the amounts above, at a certain site, the Company has perpetual care obligations aggregating approximately $1.5 million per year.

From time to time, the Company and certain of its subsidiaries are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of a Company subsidiary having allegedly owned, operated or transported waste to a disposal facility which is alleged to have contaminated the environment or, in certain cases, conducted environmental remediation activities at such sites. While the Company believes it has meritorious defenses to these lawsuits, their ultimate resolution is often substantially uncertain due to a number of factors, and it is possible such matters could have a material adverse impact on the Company's earnings for one or more quarters or years.

The Company has filed suit against numerous insurance carriers seeking reimbursement for past and future environmentally related remedial, defense and tort claim costs at a number of sites. Carriers involved in these matters have typically denied coverage and are defending against the Company's claims. While the Company is vigorously pursuing such claims, it regularly considers settlement opportunities when appropriate terms are offered. Settlements to date ($7.1 million in 1999, $46.6 million in 1998, and $94.3 million in 1997) have been included in operating costs and expenses as an offset to environmental expenses.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts of the Company's financial instruments have been determined by the Company using available market information and commonly accepted valuation methodologies. However, considerable judgement is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company or holders of the instruments could realize in a current market exchange. The use of different assumptions and/ or estimation methodologies may have a material effect on the estimated fair values. The fair value estimates presented herein are based on information available to management as of December 31, 1999 and 1998. Such amounts have not been revalued since those dates, and current estimates of fair value may differ significantly from the amounts presented herein.

The carrying values of cash and cash equivalents, short-term investments, restricted funds held by trustees, trade accounts receivable, trade accounts payable, financial instruments included in notes and other receivables and financial instruments included in other assets approximate their fair values principally because of the short-term maturities of these instruments.

The fair values of the Company's outstanding indebtedness is as follows (in thousands):

	DECEMBER 31,			
	1999		1998	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Senior notes and debentures	$6,749,785	$6,185,236	$5,959,884	$6,202,556
4% Convertible subordinated notes due 2002	535,275	469,436	535,275	641,795
4 1/2% Convertible subordinated notes due 2001	--	--	148,370	232,985
5% Convertible subordinated debentures due 2006	--	--	114,445	188,489
5.75% Convertible subordinated notes due 2005	426,726	353,500	453,680	442,928
Tax-exempt and project bonds	1,234,668	1,204,925	1,220,634	1,320,841
Other borrowings	2,551,634	2,563,597	3,300,073	3,340,848

9. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate agreements -- The Company has entered into interest rate swap agreements to balance fixed and floating rate debt in accordance with management's criteria (see Note 3). The agreements are contracts to exchange fixed and floating interest rate payments periodically over a specified term without the exchange of the underlying notional amounts. The agreements provide only for the exchange of interest on the notional amounts at the stated rates, with no multipliers or leverage. Differences paid or received are accrued in the consolidated financial statements as a part of interest expense on the underlying debt over the life of the agreements, and the swap is not recorded on the balance sheet. As of December 31, 1999, interest rate agreements in notional amounts and with terms as set forth in the following table were outstanding (in thousands):

CURRENCY	NOTIONAL AMOUNT (IN U.S. DOLLARS)	RECEIVE	PAY	MATURITY DATE
Dutch Guilder	$ 27,600	Floating	Fixed	January 21, 2000
German Deutschemark	$ 25,750	Floating	Fixed	January 21, 2000
French Franc	$ 30,600	Fixed	Floating	December 31, 2002
U.S. Dollar	$ 52,232	Floating	Fixed	Through December 31, 2012
U.S. Dollar	$1,028,570	Fixed	Floating	Through April 1, 2010

Commodity agreements -- The Company has entered into recycled paper swap agreements to help mitigate the price volatility of recycled paper. The agreements are contracts to exchange fixed and floating commodity prices over a fixed period of time. All of the Company's recyclable paper hedges are cash-settled on a monthly basis with the counterparty. At December 31, 1999 the Company had recycled paper swap agreements for a total notional amount of 14,100 tons per month expiring at various dates through February 2007 at a weighted average contract price of $66 per ton. These swap agreements are not recorded on the balance sheet.

Fair values -- The fair values of the interest rate swaps and recycled paper swaps represent the amounts at which the agreements could be settled based on estimated market rates. At December 31, 1999, the Company would have had to pay $26.5 million and $4.5 million to settle the interest rate swap agreements and recycled paper swap agreements, respectively.

10. CAPITAL STOCK

The Board of Directors is authorized to issue preferred stock in series, and with respect to each series, to fix its designation, relative rights (including voting, dividend, conversion, sinking fund, and redemption rights), preferences (including dividends and liquidation), and limitations. The Company currently has no issued or outstanding preferred stock.

In 1999, the Company resolved certain litigation relating to stock-for-asset acquisitions through the issuance of approximately 1,125,000 shares of the Company's common stock, which were issued in February 2000.

As discussed in Note 6, in 1999, certain of the Company's convertible subordinated notes and convertible subordinated debentures were converted into approximately 9.0 million shares of common stock.

In June 1998, Eastern completed the registration and sale of approximately 8.6 million shares of its common stock at $26.38 per share (equivalent to approximately 5.5 million shares of the Company's common stock at $41.17 per share). This public offering included the sale of 500,000 shares of Eastern common stock by selling shareholders (equivalent to 320,300 shares of the Company's common stock). The net proceeds, after deducting fees and related costs, were approximately $205.0 million and were primarily used to repay debt under Eastern's credit facility and for general corporate purposes.

As a condition to completing the WM Holdings Merger, during June 1998, WM Holdings sold 20.0 million shares of its common stock from its treasury (equivalent to 14.5 million shares of the Company's common stock) in an offering to the public. The net proceeds of approximately $607.0 million were used by WM Holdings to retire outstanding debt under its credit facilities.

In June 1997, prior to the WM Holdings Merger, the Company acquired a majority of the Canadian solid waste businesses of WM Holdings in a purchase business combination for consideration that included approximately 1.7 million shares of the Company's common stock. WM Holdings sold its shares of the Company's common stock on the open market during December 1997 for approximately $65.0 million. Because the WM Holdings Merger was accounted for as a pooling of interests, WM Holdings' sale of its shares of the Company's common stock is treated as an equity offering to the public for financial reporting purposes.

On March 3, 1997, prior to the United Merger, United completed a public offering in which it issued approximately 3.5 million shares of its common stock, priced at $36.50 per share (equivalent to 3.7 million shares of the Company's common stock, priced at $33.95 per share). The net proceeds of approximately $119.0 million were used to repay debt under United's credit facility, to fund acquisitions and for general corporate purposes.

On February 7, 1997, the Company completed a public offering of 11.5 million shares of its common stock, priced at $35.13 per share. The net proceeds of approximately $387.4 million were primarily used to repay bank borrowings.

In February 1997, the board of directors of WM Holdings authorized the repurchase of up to 50.0 million shares of its own common stock (equivalent to 36.3 million shares of the Company's common stock) in the open market, in privately negotiated transactions or through issuer tender offers. WM Holdings repurchased 30.0 million shares of its own common stock (equivalent to 21.8 million shares of the Company's common stock) through a "Dutch auction" tender offer in the second quarter of 1997.

During 1994 through 1996, WM Holdings sold put options on 42.3 million shares of its common stock (equivalent to 30.7 million shares of the Company's common stock). The put options gave the holders the right at maturity to require WM Holdings to repurchase shares of its common stock at specified prices. Proceeds from the sale of put options were credited to additional paid-in capital. The amount WM Holdings

would be obligated to pay to repurchase shares of its common stock if all outstanding put options were exercised was reclassified to a temporary equity account. In the event the options were exercised, WM Holdings had the right to pay the holder the difference in cash between the strike price and the market price of WM Holdings' shares, in lieu of repurchasing the stock. Options on 32.5 million shares expired unexercised, as the price of WM Holdings' stock was in excess of the strike price at maturity. WM Holdings repurchased 3.1 million shares of its common stock at a cost of $107.5 million, and 6.7 million options were settled for cash of $13.6 million. There were no put options outstanding at and subsequent to December 31, 1997.

As of December 31, 1999, the Company is limited in its ability to pay dividends pursuant to its current credit agreements of amounts not to exceed $25.0 million per year. The Company declared cash dividends of approximately $6.2 million, $93.8 million, and $309.6 million to its shareholders during 1999, 1998, and 1997, respectively. Based on the Company's weighted average common shares outstanding, the cash dividends per common share were $0.01, $0.16, and $0.56 for 1999, 1998 and 1997, respectively.

11. COMMON STOCK OPTIONS AND WARRANTS

The Company accounts for its stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost for stock options is recognized for stock option awards granted at or above fair market value. SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Company has adopted the disclosure requirements of SFAS No. 123, which are included below.

In accordance with the Company's 1993 Stock Option Incentive Plan, as amended (the "1993 Plan"), options to purchase 26.5 million shares of the Company's common stock may be granted to officers, directors, and key employees. Options are granted under the 1993 Plan at an exercise price which equals or exceeds the fair market value of the common stock on the date of grant, with various vesting periods, and expire up to ten years from the date of grant.

Under the Company's 1996 Stock Option Plan for Non-Employee Directors ("1996 Directors Plan"), its directors who are not officers, full-time employees or consultants of the Company receive an annual grant of 10,000 options on each January 1. In accordance with the 1996 Directors Plan, options to purchase up to 1,400,000 shares of the Company's common stock may be granted, with one-year vesting periods and expiration dates ten years from the date of grant. Options may be granted at an exercise price which equals fair market value of the common stock on the date of grant.

Stock options granted by the Company in 1999, 1998, and 1997 generally have ten-year terms. At the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were canceled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. Stock options granted by WM Holdings prior to March 10, 1998, became fully vested upon consummation of the WM Holdings Merger, and certain of those include put provision benefits for up to a one-year period from the date of the WM Holdings Merger, which expired in 1999 (See Note 4). WM Holdings' options granted after March 10, 1998, continue to vest in accordance with their original vesting schedule of 3 years. All other stock options granted by merged entities continue to vest under varying vesting periods ranging from immediate vesting to five years following the date of the grant.

The Company also has outstanding options and warrants related to various predecessor plans acquired through merger and acquisition activity.

The following table summarizes common stock option and warrant transactions under the aforementioned plans and various predecessor plans for 1999, 1998, and 1997:

	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
	(IN 000'S)	
Outstanding at December 31, 1996	37,911	$27.13
Granted	10,424	35.20
Exercised	(8,023)	17.26
Forfeited	(2,681)	43.99
Outstanding at December 31, 1997	37,631	30.46
Granted	10,645	43.92
Assumed in acquisitions	1,986	36.77
Exercised	(8,593)	34.17
Forfeited	(859)	45.33
Outstanding at December 31, 1998	40,810	32.72
Granted	8,206	33.86
Exercised	(11,685)	26.88
Forfeited	(598)	51.54
Outstanding at December 31, 1999	36,733	34.53
Exercisable at December 31, 1997	20,440	30.34
Exercisable at December 31, 1998	23,994	29.25
Exercisable at December 31, 1999	22,055	33.93

In addition to the options and warrants discussed above, the Company also has approximately 1.0 million warrants outstanding that were issued by United prior to the United Merger that have a weighted average exercise price of $20.96 per share.

Outstanding and exercisable stock options and warrants at December 31, 1999, were as follows (in thousands):

	OUTSTANDING			EXERCISABLE	
EXERCISE PRICE	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING TERM	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
$2.25 to $10.00	445	$ 6.38	3.3 years	445	$ 6.38
$10.01 to $20.00	6,290	14.40	6.1 years	4,261	13.73
$20.01 to $30.00	8,036	24.52	6.4 years	4,266	25.72
$30.01 to $40.00	8,363	35.29	7.0 years	4,797	35.59
$40.01 to $50.00	6,153	45.55	5.1 years	5,364	45.39
$50.01 to $140.16	7,446	54.06	6.9 years	2,922	55.76
$2.25 to $140.16	36,733	34.53	6.3 years	22,055	33.93

The weighted average fair value per share of common stock options and warrants granted during 1999, 1998 and 1997 were $16.17, $18.61, and $11.92, respectively. The fair value of each common stock option or warrant granted to employees or directors by the Company during 1999, 1998 and 1997 is estimated utilizing the Black-Scholes option-pricing model. The following weighted average assumptions were used: dividend yield of 0% to 2%, risk-free interest rates which vary for each grant and range from 4.63% to 7.67%, expected life of three to seven years for all grants, and stock price volatility primarily ranging from 25.2% to 41.9% for all three to seven year grants.

If the Company applied the recognition provisions of SFAS No. 123, the Company's net loss and loss per common share for 1999, 1998, and 1997 would approximate the pro forma amounts shown below (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Net loss:			
As reported	$(397,564)	$(770,702)	$(938,895)
Pro forma	(479,455)	(833,014)	(978,831)
Basic loss per common share:			
As reported	(0.65)	(1.32)	(1.68)
Pro forma	(0.78)	(1.43)	(1.76)
Diluted loss per common share:			
As reported	(0.65)	(1.32)	(1.68)
Pro forma	(0.78)	(1.43)	(1.76)

The effects of applying SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future results or performance.

Beginning in 1996, WM Holdings made grants of restricted stock. Compensation expense for grants of restricted shares was recognized ratably over the vesting period (generally five to ten years) and amounted to approximately $759,000 in 1998 through the date of the WM Holdings Merger and $2.4 million in 1997. The unamortized restricted stock of $9.2 million vested upon consummation of the WM Holdings Merger, and accordingly was included in merger costs in 1998.

In November 1999, one of the Company's senior executives was granted 265,000 shares of restricted stock that vest in three equal installments over the next three years and 650,000 stock options that vest according to certain performance goals in lieu of the normal vesting schedules. Notwithstanding these performance goals, all of these options will vest no later than five years from the date of grant.

12. EMPLOYEE BENEFIT PLANS

Effective January 1, 1999, the Waste Management Retirement Savings Plan and the Wheelabrator-Rust Savings and Retirement Plan were merged into the USA Waste Services, Inc. Employee Savings Plan, which was then renamed the Waste Management Retirement Savings Plan ("Savings Plan"). The Savings Plan covers employees (except those working subject to collective bargaining agreements which do not provide for coverage under such plans) following a 90 day waiting period after hire, and allows eligible employees to contribute up to 15% of their annual compensation, as limited by IRS regulations. Under the Savings Plan, the Company matches employee contributions up to 3% of their eligible compensation and matches 50% of employee contributions in excess of 3% but no more than 6% of eligible compensation. Both employee and Company contributions vest immediately. Charges to operations for the Company's defined contribution plans were $49.4 million, $69.7 million, and $42.3 million during 1999, 1998 and 1997, respectively.

Certain of the Company's foreign subsidiaries participate in both defined benefit and defined contribution retirement plans for its employees in those countries. The projected benefit obligation of $64.8 million and $53.1 million, plan assets of $55.1 million and $43.7 million and unfunded liability of $9.8 million and $9.4 million as of December 31, 1999 and 1998, respectively, relating to the foreign subsidiaries' defined benefit plans are not included in the tables below primarily due to their insignificance and pending sale of the related operating companies. In addition to the pension plan for certain employees under collective bargaining agreements established at the end of 1998 (see below), other Company subsidiaries participate in various multi-employer pension plans and in two instances, site or contract specific plans, covering certain employees not covered under the Company's pension plan. These multi-employer plans are generally defined benefit

plans; however, in many cases, specific benefit levels are not negotiated with or known by the employer contributors. The projected benefit obligation, plan assets and unfunded liability of the site or contract specific plans are not material and are not included in tables below. Contributions of $30.9 million, $25.8 million, and $18.6 million for subsidiaries' defined benefit plans were charged to operations in 1999, 1998 and 1997, respectively.

The Company had a qualified defined benefit pension plan (the "Plan") for all eligible non-union domestic employees of WM Holdings which, as discussed below, was terminated as of October 31, 1999 in connection with the WM Holdings Merger. Throughout the life of the Plan, benefits were based on the employee's years of service and compensation during the highest five consecutive years out of the last ten years of employment. The Company's funding policy was to contribute annually an amount determined in consultation with its actuaries, approximately equal to pension expense, except as may be limited by the requirements of the Employee Retirement Income Security Act ("ERISA"). An actuarial valuation report was prepared for the Plan as of September 30 each year and used, as permitted by the SFAS No. 87, Employers Accounting for Pensions, for the year-end disclosures.

In connection with the WM Holdings Merger, the Company ceased benefit accruals for the Plan as of December 31, 1998. The Company planned to liquidate the Plan's assets and settle its obligations to participants, except as related to certain employees participating under collective bargaining agreements, whose benefits were transferred to a newly created plan effective October 1, 1998. As required under SFAS No. 88, Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, this decision has resulted in a curtailment expense charge in unusual items of $34.7 million in 1998. The Plan was officially terminated as of October 31, 1999. The Company contributed approximately $43.4 million to the Plan's trusts during 1999 and expects payments of approximately $185 million to be made through 2000 relating to the termination of the Plan. The actual charge to expense of settling the Plan will be recorded as settlements occur.

Also in conjunction with the WM Holdings Merger, the Company has terminated certain non-qualified supplemental benefit plans for certain officers and non-officer managers, the most significant plan being the WM Holdings' Supplemental Executive Retirement Plan ("SERP") (collectively the "Supplemental Plans"). The curtailment and settlement loss related to these plans of $62.0 million was recorded in unusual items in 1998.

WM Holdings and certain of its subsidiaries provided post-retirement health care and other benefits to eligible employees. In conjunction with the WM Holdings Merger, the Company limited participation in these plans to participating retired employees as of December 31, 1998.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and the fair value of assets over the two-year period ending December 31, 1999, and a statement of the funded status as of December 31 of both years (in thousands):

	PENSION BENEFITS		OTHER BENEFITS	
	1999	1998	1999	1998
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	$ 471,768	$ 328,892	$ 53,723	$ 64,482
Service cost	1,208	17,892	--	1,783
Interest cost	23,306	23,944	3,478	4,535
Plan participants' contributions	--	--	400	300
Amendments	--	23,372	--	(24,188)
Actuarial loss	73,171	90,346	1,638	4,651
Benefits paid	(8,021)	(11,928)	(4,100)	(1,925)
Curtailments	--	52,209	--	4,085
Settlements	--	(52,959)	--	--
Benefit obligation at end of year	$ 561,432	$ 471,768	$ 55,139	$ 53,723
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	$ 319,278	$ 264,870	$ --	$ --
Actual return on plan assets	(18,758)	29,310	--	--
Employer contributions	43,391	89,985	3,700	1,625
Plan participants' contributions	--	--	400	300
Benefits paid	(8,021)	(11,928)	(4,100)	(1,925)
Settlements	--	(52,959)	--	--
Fair value of plan assets at end of year	$ 335,890	$ 319,278	$ --	$ --
FUNDED STATUS:				
Funded status at December 31	$(225,542)	$(152,490)	$(55,139)	$(53,723)
Unrecognized transition (asset) obligation	--	(1,430)	--	--
Unrecognized net actuarial loss	223,246	123,554	2,107	469
Unrecognized prior service cost	--	(10)	(19,076)	(20,576)
Net amount recognized	$ (2,296)	$ (30,376)	$(72,108)	$(73,830)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31 of both years (in thousands):

	PENSION BENEFITS		OTHER BENEFITS	
	1999	1998	1999	1998
Prepaid benefit cost	$ 36,604	$ 8,220	$ --	$ --
Accrued benefit liability	(38,900)	(38,596)	(72,108)	(73,830)
Minimum pension liability	(221,605)	(118,871)	--	--
Accumulated other comprehensive income before tax benefit	221,605	118,871	--	--
Net amount recognized	$ (2,296)	$ (30,376)	$(72,108)	$(73,830)

The following table provides the components of net periodic benefit cost for 1999, 1998, and 1997 (in thousands):

	PENSION BENEFITS			OTHER BENEFITS		
	1999	1998	1997	1999	1998	1997
Components of net periodic benefit cost:						
Service cost	$ 1,208	$ 17,892	$ 14,720	$ --	$1,783	$1,212
Interest cost	23,306	23,944	20,877	3,478	4,535	4,538
Expected return on plan assets	(17,001)	(20,954)	(17,084)	--	--	--
Amortization of transition asset	(1,430)	(1,430)	(1,430)	(1,500)	--	--
Amortization of prior service cost	(5)	(35)	202	--	278	--
Amortization of net (gain) loss	9,233	8,450	4,772	--	(445)	(253)
Net periodic benefit cost	15,311	27,867	22,057	1,978	6,151	5,497
Curtailment loss (included in asset impairments and unusual items)	--	53,208	--	--	--	--
Settlement loss (included in asset impairments and unusual items)	--	43,495	--	--	--	--
Net periodic benefit cost after curtailments and settlements	$ 15,311	$124,570	$ 22,057	$ 1,978	$6,151	$5,497

The assumptions used in the measurement of the Company's benefit obligations are shown in the following table (weighted average assumptions as of December 31):

	PENSION BENEFITS		OTHER BENEFITS	
	1999	1998	1999	1998
Discount rate	5.83%	6.25%	7.50%	6.50%
Expected return on plan assets	6.11%	9.00%	n/a	n/a
Rate of compensation	3.50%	3.50%	n/a	n/a

The assumptions used for discount rate and expected long-term rate of return on assets in the 1999 disclosure reflect the weighted average assumptions for the terminated and ongoing plans. Since the terminating Waste Management, Inc. Pension Plan is large relative to other plans, the assumptions applicable to this plan are the main factor in these weighted average assumptions. The assumptions for the terminating plan reflect the assumptions used in settling this plan (lump sum interest rates and annuity purchase rates) and the return on the immunized assets for this plan. A discount rate of 7.5% and an expected long term rate of return of 9.0% are used for the ongoing plan.

The principal element of the "other benefits" referred to above is the post-retirement health care plan. Participants in the WM Holdings post-retirement plan contribute to the cost of the benefit, and for retirees since January 1, 1992, the Company's contribution is capped at between $0 and $600 per month per retiree, based on years of service. For measurement purposes, a 10.0% annual rate of increase in the per capita cost of covered health care claims was assumed for 1999 (being an average of the rate used by all plans); the rate was assumed to decrease to 6.0% in 2004 and remain at that level thereafter. A 1% change in assumed health care cost trend rates would have the following effects (in thousands):

	1% INCREASE	1% DECREASE
Effect on total of service and interest components of net periodic post-retirement health care benefit cost	$ 260	$ (239)
Effect on the health care component of the accumulated post-retirement benefit obligation	$3,972	$(3,664)

In 1998, WM Holdings merged the Employee Stock Ownership Plan that was initially established for eligible WM Holdings' employees in 1988, into the Waste Management Retirement Savings Plan, which has since been merged into the Savings Plan. During 1994, WM Holdings established an Employee Stock Benefit Trust ("Trust") and sold 12.6 million shares of its treasury stock to the Trust in return for a 30-year, 7.33% note with interest payable quarterly and principal due at maturity. WM Holdings has agreed to contribute to the Trust each quarter funds sufficient, when added to dividends on the shares held by the Trust, to pay interest on the note as well as principal outstanding at maturity. At the direction of an administrative committee, the trustee will use the shares or proceeds from the sale of shares to pay employee benefits, and to the extent of such payments by the Trust, the Company will forgive principal and interest on the note. The shares of common stock issued to the Trust are not considered to be outstanding in the computation of earnings per share until the shares are utilized to fund obligations for which the Trust was established. Changes in the market value of these shares are reflected as adjustments in additional paid-in-capital.

13. INCOME TAXES

For financial reporting purposes, loss from continuing operations before income taxes, showing domestic and international sources, is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Domestic	$ (41,588)	$(896,875)	$(865,783)
International	(121,144)	196,996	203,286
Loss from continuing operations	$(162,732)	$(699,879)	$(662,497)

The provision for income taxes on continuing operations consists of the following (in thousands):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Current:			
Federal	$(149,519)	$ 356,056	$ 569,935
State	(19,265)	88,484	83,592
Foreign	83,284	72,541	85,357
	(85,500)	517,081	738,884
Deferred:			
Federal	270,499	(463,635)	(369,408)
State	39,621	(51,889)	(27,271)
Foreign	7,699	65,366	21,136
	317,819	(450,158)	(375,543)
Provision for income taxes	$ 232,319	$ 66,923	$ 363,341

The federal statutory rate is reconciled to the effective rate as follows:

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Income tax benefit at federal statutory rate	(35.00)%	(35.00)%	(35.00)%
State and local income taxes, net of federal income tax benefit	19.31	3.23	5.51
Nondeductible costs relating to acquired intangibles	22.01	16.85	30.88
Nondeductible merger costs	--	8.22	1.40
Writedown of investments in subsidiary	74.85	--	6.46
Minority interest	5.20	0.82	2.40
Deferred tax valuation and other tax reserves	25.24	8.79	40.11
Federal tax on foreign income	30.30	4.35	0.30
Nonconventional fuel tax credit	--	(3.61)	(2.80)
Other	0.85	5.91	5.59
Provision for income taxes	142.76%	9.56%	54.85%

The components of the net deferred tax assets (liabilities), excluding $80 million of net deferred tax liability related to operations held for sale, are as follows (in thousands):

	DECEMBER 31,	
	1999	1998
Deferred tax assets:		
Net operating loss, capital loss and tax credit carryforwards	$ 244,228	$ 322,129
Environmental and other reserves	1,020,880	670,502
Reserves not deductible until paid	205,245	178,608
Subtotal	1,470,353	1,171,239
Deferred tax liabilities:		
Property, equipment, intangible assets, and other	(1,573,893)	(1,072,138)
Valuation allowance	(327,929)	(331,592)
Net deferred tax liabilities	$ (431,469)	$ (232,491)

At December 31, 1999 the Company's subsidiaries have approximately $142.4 million of federal net operating loss ("NOL") carryforwards, $1.8 billion of state NOL carryforwards, and $522.5 million of foreign NOL carryforwards. Foreign NOL carryforwards of approximately $287.3 million may be carried forward indefinitely; the remaining NOL carryforwards have expiration dates through 2019. The Company's subsidiaries have approximately $1.0 million of alternative minimum tax credit carryforwards that may be used indefinitely; state tax credit carryforwards of $13.6 million; federal investment tax credit carryforwards of approximately $0.1 million; and foreign tax credit carryforwards of $50.7 million. Certain foreign NOL carryforwards are included in operations held for sale.

Valuation allowances have been established for uncertainties in realizing the benefit of tax loss and credit carryforwards. While the Company expects to realize the deferred tax assets, net of the valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation. The valuation allowance increased approximately $121.2 million and $98.8 million in 1999 and 1998, respectively, primarily due to the uncertainty of realizing foreign tax credits and NOL carryforwards. However, valuation allowances of $124 million for certain foreign deferred tax assets are included in operations held for sale.

Prior to the Board of Directors' adoption of the strategic plan in August 1999, which included the divestiture of the Company's WM International operations, the Company did not provide for United States income taxes on unremitted earnings of foreign subsidiaries as it was the intention of management to reinvest the unremitted earnings in its foreign operations. Since the adoption of the strategic plan in August 1999, the

Company has provided for United States income taxes on unremitted foreign earnings on its international operations other than in Canada. The amount of United States income tax provided for the repatriation of its international operations other than in Canada in 1999 is approximately $13.0 million. With respect to its Canadian operations, the Company intends to reinvest its earnings. Unremitted earnings in Canada are approximately $28.0 million at December 31, 1999. It is not practicable to determine the amount of United States income taxes that would be payable upon remittance of the assets that represent those earnings.

14. SEGMENT AND RELATED INFORMATION

The Company's North American solid waste management operations represent approximately $10.7 billion of operating revenues, $1.6 billion of earnings before interest and tax ("EBIT"), and $17.2 billion of total assets in 1999, and is the Company's principal reportable segment. This segment provides integrated waste management services consisting of collection, transfer, disposal (solid waste landfill, hazardous waste landfill and waste-to-energy facilities), recycling, and other miscellaneous services to commercial, industrial, municipal and residential customers in North America, including the United States and Puerto Rico, Mexico and Canada. Similar operations in international markets outside of North America are disclosed as a separate segment under WM International, which includes operations in Europe, the Pacific Rim, South America and Israel. The Company's other reportable segment consists of non-solid waste services, aggregated as a single segment for this reporting presentation. The non-solid waste segment includes other hazardous waste services such as chemical waste management services and low-level and other radioactive waste management services, the Company's independent power projects, and other non-solid waste services to commercial, industrial and government customers, and includes business lines that are being actively marketed and considered to be held for sale. No single customer accounted for 10% or more of consolidated revenues in any year presented.

Certain of the services provided by the Company are subject to extensive and evolving federal, state, and local environmental laws and regulations in the United States and elsewhere that have been enacted in response to technological advances and the public's increased concern over environmental issues. Refer to Notes 7 and 18 for a further discussion of regulatory issues.

Summarized financial information concerning the Company's reportable segments for the respective years ended December 31, is shown in the following table. Prior period information has been restated to conform to the segments described above, which are based on the structure and internal organization of the Company as of December 31, 1999 (in thousands):

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	CORPORATE FUNCTIONS(A)	TOTAL
1999					
Net operating revenues(b)	$10,689,062	$1,650,860	$ 786,998	$ --	$13,126,920
Earnings before interest and taxes (EBIT)(c),(d)	1,635,198	211,713	35,784	(559,270)	1,323,425
Depreciation and amortization	1,362,266	148,267	24,645	78,987	1,614,165
Capital expenditures	1,085,581	206,538	16,580	17,984	1,326,683
Total assets(d)	17,206,643	2,914,698	1,477,786	1,082,297	22,681,424
1998					
Net operating revenues(b)	$10,142,778	$1,533,635	$ 949,356	$ --	$12,625,769
Earnings before interest and taxes (EBIT)(c),(d)	2,478,733	132,937	103,443	(204,043)	2,511,070
Depreciation and amortization	1,241,330	169,051	43,579	44,752	1,498,712
Capital expenditures	1,438,458	166,035	34,605	12,391	1,651,489
Total assets(d)	17,713,393	3,107,968	1,010,565	1,050,238	22,882,164

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	CORPORATE FUNCTIONS(A)	TOTAL
1997					
Net operating revenues(b)	$ 9,244,910	$1,789,988	$ 937,600	$ --	$11,972,498
Earnings before interest and taxes (EBIT)(c),(d)	1,790,027	187,619	96,082	(413,814)	1,659,914
Depreciation and amortization	1,086,547	181,353	55,258	68,652	1,391,810
Capital expenditures	1,128,904	150,908	29,337	23,058	1,332,207
Total assets(d)	15,067,951	3,055,634	1,222,464	810,375	20,156,424

- ---

a) Corporate functions include the corporate treasury function (except for limited amounts of locally negotiated and managed project debt), administration of corporate tax function, the corporate insurance function and management of closed landfill and related insurance recovery functions, along with other typical administrative functions.

b) Non-solid waste revenues are net of inter-segment revenue with North American solid waste of $45.7 million, $122.4 million, and $86.4 million in 1999, 1998, and 1997, respectively. There are no other significant sales between segments.

c) For those items included in the determination of EBIT (the earnings measurement used by management to evaluate operating performance), the accounting policies of the segments are generally the same as those described in the summary of significant accounting policies.

d) There are no material asymmetrical allocations of EBIT versus assets between segments or corporate. Certain asset impairments and unusual items reported in the reconciliation of EBIT to reported net loss below, however, have resulted in adjustments to assets ultimately reflected on segment balance sheets. Assets are net of inter-segment receivables and investments.

The reconciliation of total EBIT reported above to net loss is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
EBIT, as reported above	$1,323,425	$2,511,070	$1,659,914
(Plus) less:			
Merger and acquisition related costs	44,634	1,807,245	112,748
Asset impairments and unusual items	738,837	864,063	1,771,145
Income (loss) from continuing operations held for sale	--	151	9,930
Interest expense	769,655	681,457	555,576
Interest income	(38,497)	(26,829)	(45,214)
Minority interest	24,181	24,254	45,442
Other income, net	(52,653)	(139,392)	(127,216)
Loss from continuing operations before income taxes	(162,732)	(699,879)	(662,497)
Provision for income taxes	232,319	66,923	363,341
Loss from continuing operations	(395,051)	(766,802)	(1,025,838)
Discontinued operations	--	--	(95,688)
Extraordinary loss	2,513	3,900	6,809
Cumulative effect of change in accounting principle	--	--	1,936
Net loss	$ (397,564)	$ (770,702)	$ (938,895)

In 1999, the Company operated outside the United States and Puerto Rico through its subsidiaries in nine countries in Europe, seven countries in the Pacific Rim, Canada, Mexico, Brazil, and Argentina. The Company's WM International operations, as well as certain of the Company's operations in Mexico (which is

considered NASW), have their property and equipment reflected in current operations held for sale. Operating revenues and property and equipment (net) relating to operations in the United States and Puerto Rico, Europe, Canada and all other geographic areas ("other foreign") are as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Operating revenues:			
United States	$11,015,291	$10,604,224	$ 9,707,546
Europe	1,354,759	1,264,209	1,406,026
Canada	408,615	425,531	412,633
Other foreign	348,255	331,805	446,293
Total	$13,126,920	$12,625,769	$11,972,498

	AS OF DECEMBER 31,		
	1999	1998	1997
Property and equipment, net:			
United States	$ 9,468,175	9,773,763	$ 9,187,923
Europe	--	841,418	903,174
Canada	835,628	840,887	906,142
Other foreign	--	169,589	191,291
Total	$10,303,803	$11,625,657	$11,188,530

The Company operates facilities in Hong Kong which are owned by the Hong Kong government. The Hong Kong economy has been impacted by the economic uncertainty associated with many of the countries in the region. High and volatile interest rates have resulted from speculation regarding its currency. The Company also has operations in Indonesia, Brazil, and an office in Thailand. These countries have experienced illiquidity, volatile currency exchange rates and interest rates, and reduced economic activity. The Company will be affected for the foreseeable future by economic conditions in this region, although it is not possible to determine the extent of such impact. For 1999, the Company recorded $96.1 million of revenues in the above Asian countries (including Hong Kong). Income from continuing operations before income taxes from Hong Kong was $26.5 million in 1999. Income from Indonesia, Thailand and Brazil has not been significant to date.

15. ASSET IMPAIRMENTS AND UNUSUAL ITEMS

In 1999, 1998 and 1997, the Company recorded certain charges for asset impairments and unusual items. Fair values for asset impairment losses were determined for landfills, hazardous waste facilities, recycling investments and other facilities, primarily based on future cash flow projections discounted back using discount rates appropriate for the risks involved with the specific assets, or offers from interested third parties. For surplus real estate, third party bids, market opinions and appraisals were used to determine fair value. In determining fair values for abandoned projects and vehicles to be sold, recoverable salvage values were determined using market estimates. Impaired assets to be sold are primarily businesses to be sold (see Note 19) and surplus real estate. The Company provides for losses in connection with long-term waste service contracts where an obligation exists to perform services and when it becomes evident the projected direct and incremental contract costs will exceed the related contract revenues. In general, these losses relate to contracts with remaining average duration of five years.

The following is a summary of asset impairments and unusual items that are reflected in the Company's financial statements for 1999 (in millions):

Held for sale adjustments	$443.0
Asset impairments (excluding held for sale adjustments)	194.2
Changes in estimates relating to the reassessment of ultimate losses for certain legal issues and related costs	91.7
Net pension costs related to the WM Holdings' defined benefit plan which was terminated as of October 31, 1999	13.1
Adjustments to certain losses on contractual commitments	(3.2)
Total	$738.8

In August 1999, the Company's Board of Directors adopted a strategic plan that includes the divestiture of its WM International operations and certain other businesses. (See Note 14, "Segment and Related Information" and Note 19, "Operations Held for Sale" for further discussion of the Company's international operations). Based primarily on preliminary bids from interested parties, these and certain other assets which were identified as "held for sale" during the third quarter were written down to fair value less cost to sell in accordance with SFAS No. 121, resulting in a pre-tax charge of approximately $414.3 million at September 30, 1999. These assets were considered to be held for use for periods prior to the third quarter of 1999 and did not meet the criteria for impairment recognition as a held for use asset, and therefore, were not considered impaired for periods prior to the third quarter of 1999. The assets which were identified as held for sale and subject to adjustment include, among others, the Company's WM International operations, the Company's nuclear services disposal site operations and certain NASW operations that are not essential parts of the Company's network. Revisions to the third quarter estimates were required due to revisions in estimated proceeds and certain changes in business plans during the fourth quarter. These revisions resulted in a net increase to the charge of $18.5 million. That amount includes a reduction of $30 million relating to assets in a single market that have been reclassified from held for sale assets to operating assets, based on new facts and business judgments, that have developed through February 2000. Based on these new facts and business judgements the Company has determined not to divest those assets, and those assets are not impaired as operating assets. Accordingly, the impairment recorded in the third quarter of 1999 was reversed in the same statement of operations caption originally reported, with no net effect for the year ended December 31, 1999. The remaining $10.2 million of held for sale adjustments primarily resulted from revisions of estimated proceeds related to surplus real estate. See Note 19 for further analysis of operations held for sale.

The Company recorded asset impairments of $178.3 million during the third quarter of 1999 (see Note 2 "1999 Accounting Charges and Adjustments") and $15.9 million during the fourth quarter of 1999 related to several landfill sites and certain other operating assets. Included in this amount is $76.0 million related to the abandonment or closure of facilities resulting from the Company's recent business decisions regarding optimal operating strategies in specific markets in which the Company operates, or consideration of new facts or circumstances during 1999. Also included in the amount is $40.4 million which is primarily the result of permit denials and other regulatory problems during the third quarter of 1999, which is one of the many types of facts and circumstances that may from time to time trigger impairments, and which may occasionally overlap with other triggering events or result in abandonment or closure.

The Company recorded $91.7 million related to the reassessment of ultimate losses for certain legal issues related to the WM Holdings Merger, which primarily included increases to its legal reserves in response to developments in connection with WM Holdings' restatement of earnings in February 1998. These legal developments caused the Company to evaluate the numerous shareholder cases filed against WM Holdings and to reassess the range of exposure.

The Company is in the process of settling its obligations under the WM Holdings' defined benefit plan which was terminated as of October 31, 1999 (see Note 12). The Company has included $13.1 million related to the current year recognition of net pension costs associated with the terminated plan and will incur similar charges in future periods until all participants have been paid the termination benefits.

The following is a summary of asset impairments and unusual items that are reflected in the Company's consolidated financial statements for 1998 (in millions):

Provision for losses on contractual commitments	$115.6
Changes in estimates relating to the reassessment of ultimate losses for certain legal and remediation issues	331.9
Write-down to estimated net sales proceeds of businesses to be sold	195.1
Curtailment and settlement costs of terminating the defined benefit pension plan (Note 12)	34.7
Compensation charges for the liquidation of WM Holdings' SERP (Note 12) and other supplemental plans	72.2
Put provisions of certain WM Holdings' stock options as a result of change in control provisions	114.6
Total	$864.1

In 1998, the Company increased its reserves for certain legal and environmental remediation issues as a result of management's emphasis to resolve and settle certain issues relating primarily to WM Holdings, including a class action securities litigation against WM Holdings.

Certain WM Holdings' employee stock option plans included change of control provisions that were activated as a result of the WM Holdings Merger whereby the option holder received certain put rights that require charges to earnings through the put periods. The charge to pre-tax earnings as a result of these put rights was $114.6 million in the third quarter of 1998. To the extent the future market value of the Company's common stock exceeded $54.34 per share at the end of a quarter (the "measurement date"), the Company was required to record additional charges to earnings through July 16, 1999, at which time all put rights expired. As the market value of the Company's common stock was less than $54.34 per share on each measurement date, there were no additional charges to earnings related to the put rights.

The following is a summary of asset impairments and unusual items reflected in the Company's consolidated financial statements for 1997 (in millions):

Asset impairments:	
Landfills, related primarily to management decisions to abandon expansions and development projects due to political or competitive factors, which will result in closure earlier than previously expected (includes $233.8 for hazardous waste sites)	$ 592.9
Hazardous waste facilities, resulting from continuing market deterioration, increased competition, excess capacity and changing regulation	131.4
Goodwill, primarily related to landfills and hazardous waste facilities impaired (including $411.0 related to hazardous waste business)	433.4
Write-down of WTI long-lived assets, including $47.1 related to a wood waste burning independent power production facility	57.2
Recycling investments, related primarily to continued pricing, overcapacity and competitive factors	21.5
Write-down to estimated net realizable value of trucks to be sold as a result of new fleet management policy (Note 5)	70.9
Write-down to estimated net sales proceeds of businesses to be sold (Note 19)	122.2
Abandoned equipment and facilities	37.3

Surplus real estate	38.2
Provisions for losses on contractual commitments	120.2
Severance for terminated employees	41.6
Special charge for international operations, primarily costs of demobilization in Argentina following the expiration of the City of Buenos Aires contract, divestiture or closure of underperforming businesses (primarily in Italy and Germany) and abandonment of projects (primarily in Germany)	104.3
Total	$1,771.1

16. EARNINGS PER SHARE

The following reconciles the number of common shares outstanding at December 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 dilutive earnings per common share, respectively (in thousands):

	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Number of common shares outstanding	619,317	600,351	556,546
Effect of using weighted average common shares outstanding	(6,385)	(16,050)	1,129
Weighted average number of common shares outstanding	612,932	584,301	557,675

For all periods presented, the effect of the Company's common stock options and warrants and the effect of the Company's convertible subordinated notes and debentures are excluded from the dilutive earnings per share calculation since inclusion of such items would be antidilutive.

At December 31, 1999, there were approximately 59.7 million shares of common stock potentially issuable with respect to stock options, warrants, and convertible debt, which could dilute basic earnings per share in the future.

17. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) represents the change in the Company's equity from transactions and other events and circumstances from nonowner sources and includes all changes in equity except those resulting from investments by owners and distributions to owners. The components of accumulated other comprehensive income (loss) are as follows for the periods indicated (in thousands):

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	MINIMUM PENSION LIABILITY ADJUSTMENT (NET OF TAX)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance, December 31, 1997	$(275,800)	$ (7,393)	$(283,193)
Current-period change	(77,842)	(59,769)	(137,611)
Balance, December 31, 1998	(353,642)	(67,162)	(420,804)
Current-period change	(76,438)	(65,844)	(142,282)
Balance, December 31, 1999	$(430,080)	$(133,006)	$(563,086)

The Company is continuing the process of settling its obligations under the Plan, and the change in minimum pension liability adjustment relates to the Plan. To the extent that the termination benefit has not yet been charged to expense, additional minimum pension liability has been recorded as a charge to other

comprehensive income. The Company expects to settle the obligations at various dates in 2000, at which time settlement expense will be recorded and adjustments to other comprehensive income will be made.

As discussed in Note 1, the Company adopted a strategic plan in August 1999 one element of which is to pursue the divestiture of its WM International operations. Of the $430.1 million in foreign currency translation adjustment within accumulated other comprehensive income (loss), approximately $344.9 million relates to the Company's WM International operations. Upon the divestiture of the Company's WM International operations, the foreign currency translation losses that are included in accumulated other comprehensive income (loss) will be recognized in the Company's statement of operations as a component of such operations (decreasing any gain, or increasing any loss). The foreign currency translation loss for the Company's WM International operations was $344.9 million at December 31, 1999; however, that amount will fluctuate from period to period with the change in foreign currency exchange rates.

18. COMMITMENTS AND CONTINGENCIES

Operating leases -- The Company leases certain of its operating and office facilities for various terms. Lease expense aggregated $189.3 million, $194.9 million and $189.9 million during 1999, 1998 and 1997, respectively. These amounts include rents under long-term leases, short-term cancelable leases and rents charged as a percentage of revenue, but are exclusive of financing leases which are capitalized for accounting purposes.

The long-term rental obligations as of December 31, 1999 are due in the following years (in thousands):

2000	$ 148,257
2001	135,072
2002	121,848
2003	109,030
2004	109,228
2005 to 2009	351,496
2010 and thereafter	68,197
	$1,043,128

Financial instruments -- Letters of credit, performance bonds and other guarantees have been provided by the Company to support tax-exempt bonds, performance of landfill final closure and post-closure requirements, insurance contracts, and other contracts. Total letters of credit, performance bonds, insurance policies, and other guarantees outstanding at December 31, 1999 aggregated approximately $5.2 billion. The insurance policies are issued by a wholly-owned insurance company subsidiary, the sole business of which is to issue such policies to customers of the Company and its subsidiaries. Approximately $87.4 million (at fair market value) of the Company's assets have been contributed to this subsidiary to meet regulatory minimum capital requirements. In those instances where the use of captive insurance is not acceptable, the Company has available alternative bonding mechanisms. The Company has not experienced difficulty in obtaining performance bonds or letters of credit for its current operations. Because virtually no claims have been made against these financial instruments in the past, management does not expect these instruments will have a material adverse effect on the Company's consolidated financial statements.

Environmental matters -- The continuing business in which the Company is engaged 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.

As part of its ongoing operations, the Company provides for the present value of estimated final closure and post-closure monitoring costs over the estimated operating life of disposal sites as airspace is consumed. The Company has also established procedures to evaluate potential remedial liabilities at closed sites which it owns or operated, or to which it transported waste, including 84 sites listed on the NPL as of December 31, 1999. Where the Company concludes that it is probable that a liability has been incurred, provision is made in the financial statements.

Estimates of the extent 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 from current estimates. However, the Company believes that its extensive experience in the environmental services industry, 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. While the Company does not anticipate that any such adjustment would be material to its financial statements, it is reasonably 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 necessitate the recording of additional liabilities which could be material.

Litigation -- In November and December 1997, several alleged purchasers of WM Holdings securities (including but not limited to common stock), who allegedly bought their securities during 1996 and 1997, brought fourteen purported class action lawsuits against WM Holdings and several of its current and former officers and directors in the United States District Court for the Northern District of Illinois. Each of these lawsuits asserted that the defendants violated the federal securities laws by issuing allegedly false and misleading statements in 1996 and 1997 about WM Holdings' financial condition and results of operations. In January 1998, the 14 putative class actions were consolidated before one judge and in February 1998, WM Holdings announced a restatement of prior-period earnings for 1991 and earlier as well as for 1992 through 1996 and the first three quarters of 1997. In July 1998, the class plaintiffs filed an amended complaint against WM Holdings, its outside auditor, and five of WM Holdings' former officers. The amended complaint sought recovery on behalf of a proposed class of all purchasers of WM Holdings' securities between May 29, 1995, and October 30, 1997. The amended complaint alleged, among other things, that WM Holdings filed false and misleading financial statements beginning in 1991 and continuing through October 1997 and sought recovery for alleged violations of the federal securities laws between May 1995 and October 1997.

In December 1998, the Company announced an agreement to settle the consolidated action against all defendants and the establishment of a settlement fund of $220 million for the class of open market purchasers of WM Holdings securities between November 3, 1994, and February 24, 1998. On September 17, 1999, the United States District Court for the Northern District of Illinois gave final approval to the settlement after a hearing. There were no objections to the fairness or adequacy of the settlement fund.

In January 2000, the Company settled two actions, one pending in Illinois State court and the other in Florida Federal court, arising out of the same set of facts as the above federal action brought by open market purchasers of WM Holdings' securities.

Additionally, there are several other actions and claims, which arise out of the same set of facts, that have been brought by business owners who received WM Holdings common stock in the sales of their businesses to WM Holdings. These actions and claims allege, among other things, breach of warranty or breach of contract based on WM Holdings' restatement of earnings in February 1998. In April 1999, courts having jurisdiction over two such actions granted summary judgment against WM Holdings and in favor of the individual plaintiffs who brought the respective claims on the issue of breach of contract. Additionally, in October 1999, the court in one of these actions certified a class consisting of all sellers of business assets to WM Holdings between January 1, 1990, and February 24, 1998, whose purchase agreements with WM Holdings contained express warranties regarding the accuracy of WM Holdings' financial statements. The Company has appealed that decision and the appeal is pending. The extent of damages, if any, in this class action has not yet been

determined. The Company, however, has settled or resolved four, separate stock-for-asset disputes that otherwise would have been part of the above class, as currently defined, including the individual action identified above in which summary judgment was entered against WM Holdings.

In February and March 2000, two asset sellers who otherwise would have been included in the above class, as currently defined, brought separate actions against the Company for breach of contract and fraud, among other things. One of the suits arises out of a transaction valued at over $200 million at the time of closing in 1996, while the other involves a transaction in excess of $11 million at its closing in 1995. Both suits are in their early stages and the extent of possible damages, if any, has not yet been determined.

In December 1999, a sole plaintiff brought an action against the Company, five former officers of WM Holdings, and WM Holdings' auditors 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. The defendants have removed this action to federal court, where plaintiff is seeking a remand back to the state forum. This action is in its early stages and the extent of possible damages, if any, has not yet been determined.

Purported derivative actions have also been filed in Delaware Chancery Court by alleged former shareholders of WM Holdings against certain former officers and directors of WM Holdings and nominally against WM Holdings to recover damages caused to WM Holdings as a result of the settled consolidated federal securities class action described above. These actions have been consolidated and plaintiffs have filed a consolidated amended complaint. The plaintiffs seek to recover from the former officers and directors, on behalf of WM Holdings, the amounts paid in the federal class action as well as additional amounts based on alleged harms not at issue in the federal class action.

The Company is also aware that the United States Securities and Exchange Commission ("SEC") has commenced a formal investigation with respect to WM Holdings' previously filed financial statements (which were subsequently restated) and related accounting policies, procedures and system of internal controls. The Company intends to cooperate with such investigation. The Company is unable to predict the outcome or impact of this investigation at this time.

In March and April 1999, two former officers of WM Holdings sued the Company for retirement and other benefits. These actions are in their early stages and the extent of possible damages, if any, has not yet been determined. Additionally, a third former officer brought a similar claim, that was subsequently dismissed, in March 2000. This newest action included claims related to the decision by the board of WM Holdings to recommend the merger of WM Holdings with the Company.

On July 6, 1999, the Company announced that it had lowered its expected earnings per share for the three months ended June 30, 1999. On July 29, 1999, the Company announced a further reduction in its expected earnings for that period. On August 3, 1999, the Company announced a further reduction in its expected earnings for that period and that its reported operating income for the three months ended March 31, 1999 may have included certain unusual pretax income items. More than 20 lawsuits that purport to be based on one or more of these announcements were filed against the Company and certain of its officers and directors in the United States District Court for the Southern District of Texas. These actions have been consolidated into a single action. On September 7, 1999, a lawsuit was filed against the Company and certain of its officers and directors in the United States District Court for the Eastern District of Texas. Pursuant to a joint motion, this case was transferred to the United States District Court for the Southern District of Texas, to be consolidated with the consolidated action pending there. Taken together, the plaintiffs in these lawsuits purport to assert claims on behalf of a class of purchasers of the Company's common stock between June 10, 1998 and August 13, 1999. Among other things, the plaintiffs allege that the Company and certain of its officers and directors (i) made knowingly false earnings projections for the three months ended June 30, 1999 and (ii) failed to adequately disclose facts relating to its earnings projections that the plaintiffs allege would have been material to purchasers of the Company's common stock. The plaintiffs also claim that certain of the Company's officers and directors sold common stock between March 31, 1999 and July 6, 1999 at prices

known to be inflated by the alleged material misstatements and omissions. The plaintiffs in these actions seek damages with interest, costs and such other relief as the court deems proper.

In November 1999, an action was filed in Oregon state court by individuals who received Company common stock in the sale of their business to the Company. For reasons similar to those alleged in the class actions described in the preceding paragraph, these individuals allege that the stock they received was overvalued. The case is in an early stage and the extent of possible damages, if any, has not yet been determined.

In addition, three of the Company's shareholders have filed purported derivative lawsuits against certain officers and directors of the Company in connection with the events surrounding the Company's second quarter 1999 earnings projections and July 6, 1999 earnings announcement. Two of these lawsuits were filed in the Court of Chancery of the State of Delaware on July 16, 1999 and August 18, 1999, respectively, and one was filed in the United States District Court for the Southern District of Texas on July 27, 1999. The Delaware cases have been consolidated and the plaintiffs have filed an amended consolidated complaint. The plaintiffs in these actions purport to allege derivative claims on behalf of the Company against these individuals for alleged breaches of fiduciary duty resulting from their alleged common stock sales during the three months ended June 30, 1999 and/or their oversight of the Company's affairs. The lawsuits name Waste Management, Inc. as a nominal defendant and seek compensatory and punitive damages with interest, equitable and/or injunctive relief, costs and such other relief as the respective courts deem proper. The defendants have not yet been required to respond to the complaints.

On December 29, 1999, the Company sued Louis D. Paolino, former President and Chief Executive Officer of Eastern, and others in federal court in Delaware in connection with the Eastern Merger. The Company alleges, among other things, that defendants artificially inflated the revenues of Eastern by employing improper accounting practices and usurped Eastern corporate opportunities for personal gain. The Company alleges that the inflated Eastern financials caused the Company to pay substantially more than Eastern was worth. The defendants in this case have not yet filed a response to the complaint.

In a related matter, on December 31, 1999, Louis D. Paolino and others sued the Company and unnamed defendants in Philadelphia for securities fraud in connection with the Eastern Merger. Plaintiffs allege that the Company's stock that they were issued in connection with the Eastern Merger was over-valued because the Company failed to disclose that it was having problems integrating the operations of WM Holdings and the Company after the WM Holdings Merger. As none of the defendants has been served in this action, no responsive pleadings have been filed.

The Company is aware of a lawsuit filed in state court in Houston, Texas by several related shareholders against the Company and three of its former officers. The petition alleges that the plaintiffs are substantial shareholders of the Company's common stock who intended to sell their stock in 1999, but that the individual defendants made false and misleading statements regarding the Company's prospects that induced the plaintiffs to retain their stock. Plaintiffs assert that the value of their retained stock declined dramatically. Plaintiffs asserted claims for fraud, negligent misrepresentation, and conspiracy. As neither the Company nor the individual defendants have been served in this action, the defendants have filed no responsive pleadings in the action.

The Company has also received a letter from participants in the Company's Employee Stock Purchase Plan (the "ESPP") who purchased the Company's common stock on June 30, 1999. The letter demands that the Administrative Committee of the ESPP bring an action against the Company and certain selling officers and directors for losses allegedly sustained by the participants in their stock purchases. These ESPP participants stated in the letter that, absent action by the Administrative Committee of the ESPP, they intended to sue the Company and the directors and officers on behalf of the ESPP and its participants. The Administrative Committee of the ESPP has advised these participants that it cannot file suit, as requested, because the committee is neither a representative of the plan nor a Waste Management shareholder. The Company has not

received any further communication from these participants. However, the Company does not believe that this claim, if pursued, would have a material adverse effect on the Company's financial statements.

In addition, the SEC has notified the Company of an informal inquiry into the period ended June 30, 1999, as well as certain sales of the Company's common stock that preceded the Company's July 6, 1999 earnings announcement.

The New York Stock Exchange has notified the Company that its Market Trading Analysis Department is reviewing transactions in the common stock of the Company prior to the July 6, 1999 earnings forecast announcement.

The Company is conducting a thorough investigation of each of the allegations that have been made in connection with the Company's second quarter 1999 earnings communications. As part of this investigation, the Company's Board of Directors has authorized a review of the allegations that have been made against certain of the Company's officers and directors. Roderick M. Hills, a former chairman of the SEC and chairman of the Company's Audit Committee, is directing the review.

The Company received a Civil Investigative Demand ("CID") from the Antitrust Division of the United States Department of Justice in July 1999 inquiring into the Company's non-hazardous solid waste operations in the State of Massachusetts. The CID purports to have been issued for the purpose of determining whether the Company has engaged in monopolization, illegal contracts in restraint of trade, or anticompetitive acquisitions of disposal and/or hauling assets. The CID requires the Company to provide the United States Department of Justice with certain documents to assist it in its inquiry with which the Company is fully cooperating.

On July 16, 1999, a lawsuit was filed against the Company in the Circuit Court for Sumter County in the State of Alabama. The plaintiff in the lawsuit purported to allege on behalf of a class of similarly situated persons that the Company has deprived the class of lump sum payments of pension plan benefits allegedly promised to be paid in connection with termination of the Plan. On behalf of the purported class, the plaintiff sought compensatory and punitive damages, costs, restitution with interest, and such relief as the Court deemed proper. On July 29, 1999, the Company announced that it had determined to proceed with the termination of the Plan, liquidating the Plan's assets and settling its obligations to participants. The plaintiff voluntarily dismissed her case on September 13, 1999. However, that same day, the same attorneys filed another Plan-related putative class action against the Company and various individual defendants in the United States District Court for the Middle District of Alabama, Northern Division. This case, brought by a different putative class representative, alleges that the defendants violated ERISA by failing to terminate the Plan in accordance with its terms, by failing to manage Plan assets prudently and in the interests of Plan participants, and by delaying the Plan's termination date and the expected distribution of lump-sum pension benefits. On behalf of the purported class, the plaintiff seeks declaratory and injunctive relief, restitution of all losses and expenses allegedly incurred by the Plan, payment of all benefits allegedly owed to Plan participants, attorney's fees and costs, and other "appropriate" relief under the Internal Revenue Code, ERISA and the Plan. Defendants' time to move, answer or otherwise respond to the complaint has been extended, and no proceedings have yet occurred.

The continuing business in which the Company is engaged is intrinsically connected with the protection of the environment and the potential for the unintended or unpermitted discharge of materials into the environment. In the ordinary course of conducting its business activities, the Company becomes involved in judicial and administrative proceedings involving governmental authorities at the foreign, federal, state, and local level, including, in certain instances, proceedings instituted by citizens or local governmental authorities seeking to overturn governmental action where governmental officials or agencies are named as defendants together with the Company or one or more of its subsidiaries, or both. In the majority of the situations where proceedings are commenced by governmental authorities, the matters involved related to alleged technical violations of licenses or permits pursuant to which the Company operates or is seeking to operate or laws or regulations to which its operations are subject or are the result of different interpretations of applicable

requirements. From time to time, the Company pays fines or penalties in environmental proceedings relating primarily to waste treatment, storage or disposal facilities. As of December 31, 1999, there were six proceedings involving Company subsidiaries where the sanctions involved could potentially exceed $100,000. The Company believes that these matters will not have a material adverse effect on its results of operations or financial condition. However, the outcome of any particular proceeding cannot be predicted with certainty, and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies or other factors could materially alter this expectation at any time.

From time to time, the Company and certain of its subsidiaries are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of a Company's subsidiary having owned, operated or transported waste to a disposal facility which is alleged to have contaminated the environment or, in certain cases, conducted environmental remediation activities at sites. Some of such lawsuits may seek to have the Company or its subsidiaries pay the costs of groundwater monitoring and health care examinations of allegedly affected persons for a substantial period of time even where no actual damage is proven. While the Company believes it has meritorious defenses to these lawsuits, their ultimate resolution is often substantially uncertain due to the difficulty of determining the cause, extent and impact of alleged contamination (which may have occurred over a long period of time), the potential for successive groups of complainants to emerge, the diversity of the individual plaintiffs' circumstances, and the potential contribution or indemnification obligations of co-defendants or other third parties, among other factors. Accordingly, it is possible such matters could have a material adverse impact on the Company's financial statements.

The Company or certain of its subsidiaries have been identified as potentially responsible parties in a number of governmental investigations and actions relating to waste disposal facilities which may be subject to remedial action under the Comprehensive Environmental Response, Compensation and Liabilities Act of 1980, as amended ("CERCLA" or "Superfund"). The majority of these proceedings are based on allegations that certain subsidiaries of the Company (or their predecessors) transported hazardous substances to the sites in question, often prior to acquisition of such subsidiaries by the Company. CERCLA generally provides for joint and several liability for those parties owning, operating, transporting to or disposing at the sites. Such proceedings arising under Superfund typically involve numerous waste generators and other waste transportation and disposal companies and seek to allocate or recover costs associated with site investigation and cleanup, which costs could be substantial and could have a material adverse effect on the Company's financial statements.

In June 1999, the Company was notified that the EPA is conducting a civil investigation of alleged chlorofluorocarbons ("CFC") disposal violations by Waste Management of Massachusetts, Inc. ("WMMA"), one of the Company's wholly owned subsidiaries, to determine whether further enforcement measures are warranted. The activities giving rise to the allegations of CFC disposal violations appear to have occurred prior to July 30, 1998. On July 29, 1998, the EPA inspected WMMA's operations, notified the Company of the alleged violations and issued an Administrative Order in January 1999 requiring WMMA to comply with the CFC regulations. WMMA is cooperating with the investigation and the Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial statements.

In August 1999, sludge materials from trucks entering the Company's Woodland Meadows Landfill in Michigan were seized by the FBI pursuant to an investigation of the generator of the sludge materials, a company that provides waste treatment services. Subsequently, the Company received two Grand Jury subpoenas as well as requests for information from the Michigan Department of Environmental Quality, seeking information related to the landfill's waste acceptance practices and the Company's business relationship with the generator. According to affidavits attached to the subpoena, the generator's treatment plant was sold by the Company to the generator in May 1998. The Company is cooperating with the pending investigation and believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial statements.

As of December 31, 1999, the Company or its subsidiaries had been notified that they are potentially responsible parties in connection with 84 locations listed on the NPL. Of the 84 NPL sites at which claims have been made against the Company, 17 are sites which 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 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 67 NPL sites at which claims have been made against the Company and which 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.

In November 1998, the Company was sued by the estate of Shayne Conner, who died on November 24, 1995 in Greenland, New Hampshire. Plaintiffs allege that Mr. Conner's death was caused by biosolids that were applied to a nearby field by Wheelabrator's BioGro business unit. The litigation is currently in the discovery phase, and the Company is waiting for plaintiff's production of a court-ordered expert on causation. The Company is vigorously defending itself in the litigation.

The Company has been advised by the United States Department of Justice that Laurel Ridge Landfill, Inc., a wholly owned subsidiary of the Company as a result of the United Merger in August 1997, allegedly committed certain violations of the Clean Water Act at the Laurel Ridge Landfill in Kentucky. The alleged activities occurred prior to the United Merger. In May 1999, the Company pleaded guilty to a criminal misdemeanor and was sentenced in November 1999 to pay a fine of $100,000 and perform in kind services valued at $1.0 million.

In February 1999, a San Bernardino County, California grand jury returned an amended felony indictment against the Company, certain of its subsidiaries and their current or former employees, and a County employee. The proceeding is based on events that allegedly occurred prior to the WM Holdings Merger in connection with a WM Holdings landfill development project. The indictment includes allegations that certain of the defendants engaged in conduct involving fraud, wiretapping, theft of a trade secret and manipulation of computer data, and that they engaged in a conspiracy to do so. If convicted, the most serious of the available sanctions against the corporate defendants would include substantial fines and forfeitures. The Company believes that meritorious defenses exist to each of the allegations, and the defendants are vigorously contesting them. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial statements.

The Company has brought suit against a substantial number of 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. In this action, the Company is seeking a declaratory judgment that environmental liabilities asserted against the Company or its subsidiaries, or that may be asserted in the future, are covered by insurance policies purchased by the Company or its subsidiaries. The Company is also seeking to recover defense costs and other damages incurred as a result of the assertion of environmental liabilities against the Company or its subsidiaries for events occurring over at least the last 25 years at approximately 140 sites and the defendant insurance carriers' denial of coverage of such liabilities. While the Company has reached settlements with some of the carriers, the remaining defendants have denied liability to the Company and have asserted various defenses, including that environmental liabilities of the type for which the Company is seeking relief are not risks covered by the insurance policies in question. The remaining defendants are contesting these claims vigorously. Discovery is complete as to the 12 sites in the first phase of the case and discovery is expected to continue for several years as to the remaining sites. Currently, trial dates have not

been set. The Company is unable at this time to predict the outcome of this proceeding. No amounts have been recognized in the Company's financial statements for potential recoveries.

It is not possible at this time to predict the impact that the above lawsuits, proceedings, investigations and inquiries may have on WM Holdings or the Company, nor is it possible to predict whether any other suits or claims may arise out of these matters in the future. 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 WM Holdings intend to defend themselves vigorously in all the above matters.

The Company and certain of its subsidiaries are also currently involved in other 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 have a material adverse impact on the Company's financial statements.

Insurance -- The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations including general liability, automobile liability, real and personal property, workers' compensation, directors' and officers' liability, and such other coverages as management deems necessary. Some of these coverages are subject to varying retentions of risk by the Company. At December 31, 1999, the Company's casualty policies provided for $2 million per occurrence coverage for primary commercial general liability and $1 million per accident coverage for primary automobile liability (including coverage for pollution exposure arising out of trucking operations) supported by $500 million in umbrella insurance protection. At December 31, 1999 the Company's property policy provided insurance coverage for all of the Company's real and personal property on a replacement cost basis, including California earthquake perils. At December 31, 1999 the Company also carried $200 million in aircraft liability protection. The Company believes these are appropriate levels for its operations and that such levels meet applicable requirements of the various states and countries in which it operates, however, various factors including cost and coverage availability could cause the Company to change its levels of coverage.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. At December 31, 1999, the Company's ongoing workers' compensation insurance program had a deductible per incident of $250,000. Through the second quarter of 1999, the Company estimated its insurance-related liabilities for the ongoing programs mainly related to workers' compensation, based on an analysis of insurance claims submitted for reimbursement, plus an estimate for liabilities incurred as of the balance sheet date, but not yet reported to the Company. In the third quarter of 1999, the Company began estimating these liabilities based on actuarially determined estimates of ultimate losses. These estimates are generally within a range of potential ultimate outcomes.

The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. At December 31, 1999, this policy provides $10 million of coverage per loss with a $20 million aggregate limit.

Through the date of the WM Holdings Merger, certain of WM Holdings' auto, general liability, environmental impairment liability, and workers' compensation risks were self-insured up to $5.0 million per accident. For such programs, a provision was made in each accounting period for estimated losses, including losses incurred but not reported, and the related reserves are adjusted as additional claims information becomes available. Claims reserves related to WM Holdings are discounted at 5.5% at December 31, 1999 and 1998. The insurance-related liability for the ongoing program and the WM Holdings' self-insurance runoff program included in the accompanying balance sheet amounts to $361.7 million and $334.5 million at December 31, 1999 and 1998, respectively.

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

19. OPERATIONS HELD FOR SALE

During the third quarter of 1999, the Company's Board of Directors adopted a strategic plan, one element of which is for the Company to market for sale its WM International operations, significant portions of its domestic non-core businesses and selected NASW operations. As discussed in Note 2, the Company has recorded charges to write down certain of these assets. In determining fair value, the Company considered, among other things, the range of preliminary purchase prices being discussed with potential buyers. These businesses' results of operations are fully included in revenues and expenses in the accompanying statement of operations.

Operational information included in the statement of operations regarding the businesses classified as operations held for sale at December 31, 1999, is as follows (in thousands):

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	TOTAL
Year Ended:				
December 31, 1999				
Operating revenues	$541,000	$1,650,860	$288,445	$2,480,305
Earnings before interest and taxes(a)	(22,249)	211,713	52,307	241,771
December 31, 1998				
Operating revenues	$522,271	$1,533,635	$304,746	$2,360,652
Earnings before interest and taxes(a)	20,595	132,937	48,364	201,896
December 31, 1997				
Operating revenues	$460,071	$1,789,988	$352,115	$2,602,174
Earnings before interest and taxes(a)	(40,859)	187,619	(25,492)	121,268

- ---

(a) For those items included in the determination of EBIT (the earnings measurement used by management to evaluate operating performance), the accounting policies of the segments are generally the same as those described in the summary of significant accounting policies. (See Note 3.) EBIT is defined as income (loss) from operations excluding merger and acquisition related costs, asset impairments and unusual items, and income from continuing operations held for sale, net of minority interest.

The Company has classified as current operations held for sale its WM International operations and certain domestic operations, which management believes will be divested prior to December 31, 2000. The Company has classified as non-current operations held for sale certain NASW operations which the Company

has committed to sell to Allied Waste Industries, Inc. ("Allied") in connection with the Company's purchase of certain of Allied's operations, as well as the Company's surplus real estate portfolio.

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	TOTAL
As of December 31, 1999:				
Receivables, net	$ 36,506	$ 364,552	$ 32,550	$ 433,608
Other current assets	14,311	208,842	14,990	238,143
Property and equipment and other non-current assets	737,072	2,271,611	108,400	3,117,083
Current maturities of long-term debt	(2,339)	(51,817)	--	(54,156)
Other current liabilities	(23,854)	(481,617)	(62,267)	(567,738)
Long-term debt, less current maturities	(57,871)	(212,629)	--	(270,500)
Other noncurrent liabilities	(37,814)	(347,264)	(13,166)	(398,244)
Minority interest	--	(117,676)	(3,705)	(121,381)
Net operations held for sale	$ 666,011	$ 1,634,002	$ 76,802	$ 2,376,815
Current assets:				
Operations held for sale	$ 534,557	$ 2,845,005	$155,940	$ 3,535,502
Long-term assets:				
Operations held for sale (included in other assets)	253,331	--	--	253,331
Current liabilities:				
Operations held for sale	(118,079)	(1,211,003)	(79,138)	(1,408,220)
Long-term liabilities:				
Operations held for sale (included in other liabilities)	(3,798)	--	--	(3,798)
Net operations held for sale	$ 666,011	$ 1,634,002	$ 76,802	$ 2,376,815

At December 31, 1998, the Company planned to dispose of certain assets to comply with governmental orders related to the WM Holdings Merger and Eastern Merger and certain other assets as a result of implementing the business strategy related to the WM Holdings Merger and thus, classified these assets as current assets held for sale. These operations are set forth in the table below. These businesses' results of operations are fully included in revenues and expenses in the 1998 statement of operations and generated third-party operating revenues of approximately $372.6 million and earnings before interest and taxes of approximately $20.6 million in 1998. As discussed in Notes 4 and 15, the Company recorded charges to write these assets down to fair value, less costs to sell.

Information regarding the businesses classified as operations held for sale as of December 31, 1998 (in thousands):

	NORTH AMERICAN SOLID WASTE	NON-SOLID WASTE	TOTAL
Receivables, net	$ 1,056	$ --	$ 1,056
Property and equipment and other non current assets	734,359	120,998	855,357
Current maturities of long-term debt	--	--	--
Other current liabilities	(51,728)	(7,530)	(59,258)
Long-term debt, less current maturities	--	--	--
Other noncurrent liabilities	(50,550)	--	(50,550)
Minority interest	--	--	--
Net operations held for sale	--	--	--
	$ 633,137	$113,468	$ 746,605
Current assets:			
Operations held for sale	$ 735,415	$120,998	$ 856,413
Current liabilities:			
Operations held for sale	(102,278)	(7,530)	(109,808)
Net operations held for sale	$ 633,137	$113,468	$ 746,605

At the beginning of 1997, management classified as discontinued and planned to sell Rust International Inc.'s ("Rust") domestic environmental and infrastructure engineering and consulting business and Chemical Waste Management, Inc.'s ("CWM") high organic waste fuel blending services business. At the end of 1997, management reclassified the CWM business back into continuing operations, and classified certain of its sites as operations held for sale. The Rust dispositions were not completed within one year, and accordingly, these businesses were reclassified back into continuing operations held for sale, at December 31, 1997, though management continued its efforts to market these businesses. Because these businesses were reclassified to continuing operations, the remaining provision for loss on disposal ($95.0 million after tax -- $87.0 million related to Rust and $8.0 million related to CWM) was reversed in discontinued operations and an impairment loss for Rust of $122.2 million was recorded in continuing operations in the fourth quarter of 1997.

20. SELECTED QUARTERLY FINANCIAL DATA, UNAUDITED

The Company's independent public accountants' report on these financial statements indicates that they do not believe that the Company's internal controls for the preparation of interim financial information were sufficient to provide them an adequate basis to complete a review in accordance with standards established by the American Institute of Certified Public Accountants of the selected 1999 quarterly financial data, set forth below. See Note 2.

The following table summarizes the unaudited quarterly results of operations for 1999 and 1998 (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1999				
Operating revenues	$3,070,635	$3,324,775	$ 3,395,052	$3,336,458
Operating income (loss)	760,098	715,484	(1,119,298)	183,670
Income (loss) from continuing operations	346,688	318,262	(947,773)	(112,228)
Net income (loss)	346,688	318,262	(947,773)	(114,741)
Earnings (loss) from continuing operations per common share:				
Basic	0.57	0.52	(1.53)	(0.18)
Diluted	0.55	0.50	(1.53)	(0.18)
Earnings (loss) per common share:				
Basic	0.57	0.52	(1.53)	(0.19)
Diluted	0.55	0.50	(1.53)	(0.19)
1998				
Operating revenues	$2,939,533	$3,215,931	$ 3,237,701	$3,232,604
Operating income (loss)	452,248	569,247	(1,545,744)	363,860
Income (loss) from continuing operations	181,416	246,770	(1,258,473)	63,485
Net income (loss)	181,416	242,870	(1,258,473)	63,485
Earnings (loss) from continuing operations per common share:				
Basic	0.32	0.43	(2.11)	0.11
Diluted	0.31	0.42	(2.11)	0.10
Earnings (loss) per common share:				
Basic	0.32	0.42	(2.11)	0.11
Diluted	0.31	0.41	(2.11)	0.10

Basic and diluted earnings per common share for each of the quarters presented above is based on the respective weighted average number of common and dilutive potential common shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per common share amounts. For certain periods presented, the effect of the Company's common stock options and warrants and the effect of the Company's convertible subordinated notes and debentures are excluded from the diluted earnings per share calculations since inclusion of such items would be antidilutive for that period.

21. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

WM Holdings ("Guarantor"), a wholly-owned subsidiary of 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 due 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-Guarantor"). Accordingly, the following condensed consolidating balance sheets as of December 31, 1999 and 1998 and the related condensed consolidating statements of operations for 1999, 1998, and 1997, along with the related statements of cash flows, have been provided below (in thousands).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 1999

ASSETS

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Current assets:					
Cash and cash equivalents	$ 33,690	$ 4,496	$ 143,171	$ --	$ 181,357
Other current assets	--	36,604	6,002,584	--	6,039,188
	33,690	41,100	6,145,755	--	6,220,545
Property and equipment, net	--	--	10,303,803	--	10,303,803
Intercompany and investment in subsidiaries	11,367,467	5,939,729	(13,139,748)	(4,167,448)	--
Other assets	27,004	9,795	6,120,277	--	6,157,076
Total assets	$11,428,161	$5,990,624	$ 9,430,087	$(4,167,448)	$22,681,424
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 2,271,899	$ 250,000	$ 576,843	$ --	$ 3,098,742
Accounts payable and other accrued liabilities	100,978	325,644	3,964,091	--	4,390,713
	2,372,877	575,644	4,540,934	--	7,489,455
Long-term debt, less current maturities	3,953,932	3,507,853	937,561	--	8,399,346
Other liabilities	--	--	2,382,337	--	2,382,337
Total liabilities	6,326,809	4,083,497	7,860,832	--	18,271,138
Minority interest in subsidiaries	--	--	7,674	--	7,674
Stockholders' equity	5,101,352	1,907,127	1,561,581	(4,167,448)	4,402,612
Total liabilities and stockholders' equity	$11,428,161	$5,990,624	$ 9,430,087	$(4,167,448)	$22,681,424

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 1998

ASSETS

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Current assets:					
Cash and cash equivalents	$ 27,726	$ (48,578)	$ 107,725	$ --	$ 86,873
Other current assets	--	8,220	3,896,112	--	3,904,332
	27,726	(40,358)	4,003,837	--	3,991,205
Property and equipment, net	--	--	11,625,657	--	11,625,657
Intercompany and investment in subsidiaries	10,373,056	6,271,497	(12,371,573)	(4,272,980)	--
Other assets	21,071	14,797	7,229,434	--	7,265,302
Total assets	$10,421,853	$6,245,936	$ 10,487,355	$(4,272,980)	$22,882,164
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ --	$ 350,000	$ 247,742	$ --	$ 597,742
Accounts payable and other accrued liabilities	63,547	231,529	3,510,656	--	3,805,732
	63,547	581,529	3,758,398	--	4,403,474
Long-term debt, less current maturities	5,197,013	3,786,935	2,150,671	--	11,134,619
Other liabilities	--	--	2,859,499	--	2,859,499
Total liabilities	5,260,560	4,368,464	8,768,568	--	18,397,592
Minority interest in subsidiaries	--	--	112,076	--	112,076
Stockholders' equity	5,161,293	1,877,472	1,606,711	(4,272,980)	4,372,496
Total liabilities and stockholders' equity	$10,421,853	$6,245,936	$ 10,487,355	$(4,272,980)	$22,882,164

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1999

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$13,126,920	$ --	$13,126,920
Costs and expenses	--	--	12,586,966	--	12,586,966
Income from operations	--	--	539,954	--	539,954
Other income (expense):					
Interest income (expense), net	(417,157)	(269,038)	(44,963)	--	(731,158)
Equity in subsidiaries, net of taxes	(136,841)	31,308	--	105,533	--
Minority interest	--	--	(24,181)	--	(24,181)
Other, net	--	--	52,653	--	52,653
	(533,998)	(237,730)	(16,491)	105,533	(702,686)
Income (loss) from continuing operations before income taxes	(553,998)	(237,730)	523,463	105,533	(162,732)
Provision for (benefit from) income taxes	(156,434)	(100,889)	489,642	--	232,319
Loss from operations	(397,564)	(136,841)	33,821	105,533	(395,051)
Extraordinary item	--	--	(2,513)	--	(2,513)
Net income (loss)	$(397,564)	$(136,841)	$ 31,308	$105,533	$ (397,564)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$12,625,769	$ --	$12,625,769
Costs and expenses	--	--	12,786,158	--	12,786,158
Income from operations	--	--	(160,389)	--	(160,389)
Other income (expense):					
Interest income (expense), net	(230,925)	(307,591)	(116,112)	--	(654,628)
Equity in subsidiaries, net of taxes	(626,374)	(434,130)	--	1,060,504	--
Minority interest	--	--	(24,254)	--	(24,254)
Other, net	--	--	139,392	--	139,392
	(857,299)	(741,721)	(974)	1,060,504	(539,490)
Income (loss) from continuing operations before income taxes	(857,299)	(741,721)	(161,363)	1,060,504	(699,879)
Provision for (benefit from) income taxes	(86,597)	(115,347)	268,867	--	66,923
Loss from operations	(770,702)	(626,374)	(430,230)	1,060,504	(766,802)
Extraordinary item	--	--	(3,900)	--	(3,900)
Net income (loss)	$(770,702)	$(626,374)	$ (434,130)	$1,060,504	$ (770,702)

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1997

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$11,972,498	--	$11,972,498
Costs and expenses	--	--	12,206,407	--	12,206,407
Income from operations	--	--	(233,909)	--	(233,909)
Other income (expense):					
Interest income (expense), net	(74,073)	(319,202)	(117,087)	--	(510,362)
Equity in subsidiaries, net of taxes	(892,599)	(693,098)	--	1,585,697	--
Minority interest	--	--	(45,442)	--	(45,442)
Other, net	--	--	127,216	--	127,216
	(966,672)	(1,012,300)	(35,313)	1,585,697	(428,588)
Income (loss) from continuing operations before income taxes	(966,672)	(1,012,300)	(269,222)	1,585,697	(662,497)
Provision for (benefit from) income taxes	(27,777)	(119,701)	510,819	--	363,341
Loss from operations	(938,895)	(892,599)	(780,041)	1,585,697	(1,025,838)
Discontinued operations	--	--	95,688	--	95,688
Extraordinary item	--	--	(6,809)	--	(6,809)
Cumulative effect of change in accounting principal, net of taxes	--	--	(1,936)	--	(1,936)
Net income (loss)	$ (938,895)	$ (892,599)	$ (693,098)	$1,585,697	$ (938,895)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1999

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Cash flows from operating activities					
Net income (loss)	$ (397,564)	$(136,841)	$ 31,308	$ 105,533	$ (397,564)
Equity in earnings of subsidiaries	136,841	(31,308)	--	(105,533)	--
Other adjustments and changes	69,292	(9,915)	2,027,776	--	2,087,153
Net cash provided by (used in) operations	(191,431)	(178,064)	2,059,084	--	1,689,589
Cash flows from investing activities					
Short-term investments	--	--	(40,688)	--	(40,688)
Acquisitions of businesses, net of cash acquired	--	--	(1,289,271)	--	(1,289,271)
Capital expenditures	--	--	(1,326,684)	--	(1,326,684)
Proceeds from sale of assets	--	--	650,512	--	650,512
Other, net	--	--	(10,782)	--	(10,782)
Net cash used in investing activities	--	--	(2,016,913)	--	(2,016,913)
Cash flows from financing activities					
Proceeds from issuance of long-term debt	4,056,510	--	189,621	--	4,246,131
Principal payments on long-term debt	(3,029,957)	(381,123)	(575,597)	--	(3,986,677)
Proceeds from exercise of common stock options and warrants	175,861	--	--	--	175,861
Cash dividends	(6,196)	--	--	--	(6,196)
Other	--	--	(2,941)	--	(2,941)
(Increase) decrease in intercompany and investments, net	(998,823)	612,261	386,562	--	--
Net cash provided by financing activities	197,395	231,138	(2,355)	--	426,178
Effect of exchange rate changes on cash and cash equivalents	--	--	(4,370)	--	(4,370)
Increase in cash and cash equivalents	5,964	53,074	35,446	--	94,484
Cash and cash equivalents at beginning of period	27,726	(48,578)	107,725	--	86,873
Cash and cash equivalents at end of period	$ 33,690	$ 4,496	$ 143,171	$ --	$ 181,357

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1998

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Cash flows from operating activities:					
Net income (loss)	$ (770,702)	$(626,374)	$ (434,130)	$ 1,060,504	$ (770,702)
Equity in earnings of subsidiaries	626,374	434,130	--	(1,060,504)	--
Other adjustments and charges	35,724	(18,848)	2,255,861	--	2,272,737
Net cash provided by (used in) operations	(108,604)	(211,092)	1,821,731	--	1,502,035
Cash flows from investing activities Short-term investments	--	--	57,509	--	57,509
Acquisitions of businesses, net of cash acquired	--	--	(1,946,197)	--	(1,946,197)
Capital expenditures	--	--	(1,651,489)	--	(1,651,489)
Proceeds from sale of assets	--	--	621,387	--	621,387
Acquisition of minority interests	--	--	(1,673,168)	--	(1,673,168)
Other, net	--	--	36,821	--	36,821
Net cash used in investing activities	--	--	(4,555,137)	--	(4,555,137)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	5,547,318	--	854,579	--	6,401,897
Principal payments on long-term debt	(2,395,466)	(786,425)	(1,225,019)	--	(4,406,910)
Cash dividends	(11,750)	(82,060)	--	--	(93,810)
Net proceeds from issuance of common stock	205,863	--	--	--	205,863
Proceeds from sale of treasury stock	--	739,161	--	--	739,161
Proceeds from exercise of common stock options and warrants	133,119	--	--	--	133,119
(Increase) decrease in intercompany and investments, net	(3,357,384)	249,208	3,108,176	--	--
Other, net	--	--	(23,524)	--	(23,524)
Net cash provided by financing activities	121,700	119,884	2,714,212	--	2,955,796
Effect of exchange rate changes on cash and cash equivalents	--	--	(5,763)	--	(5,763)
Increase (decrease) in cash and cash equivalents	13,096	(91,208)	(24,957)	--	(103,069)
Cash and cash equivalents at beginning of period	14,630	42,630	132,682	--	189,942
Cash and cash equivalents at end of period	$ 27,726	$ (48,578)	$ 107,725	$ --	$ 86,873

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1997

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Cash flows from operating activities:					
Net income (loss)	$ (938,895)	$(892,599)	$ (693,098)	$ 1,585,697	$ (938,895)
Equity in earnings of subsidiaries	892,599	693,098	--	(1,585,697)	--
Other adjustments and charges	8,013	55	2,996,733	--	3,004,801
Net cash provided by (used in) operations	(38,283)	(199,446)	2,303,635	--	2,065,906
Cash flows from investing activities Short-term investments	--	--	(117,668)	--	(117,668)
Acquisitions of businesses, net of cash acquired	--	--	(1,685,415)	--	(1,685,415)
Capital expenditures	--	--	(1,332,207)	--	(1,332,207)
Proceeds from sale of assets	--	--	1,487,685	--	1,487,685
Acquisition of minority interests	--	--	(104,165)	--	(104,165)
Other, net	--	--	(25,758)	--	(25,758)
Net cash used in investing activities	--	--	(1,777,528)	--	(1,777,528)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt	2,660,865	300,000	1,655,853	--	4,616,718
Principal payments on long-term debt	(1,884,500)	(289,541)	(2,204,911)	--	(4,378,952)
Cash dividends	--	(309,577)	--	--	(309,577)
Net proceeds from issuance of common stock	580,833	--	--	--	580,833
Proceeds from exercise of common stock options and warrants	36,955	41,220	--	--	78,175
Stock repurchases	(96,960)	(903,248)	--	--	(1,000,208)
(Increase) decrease in intercompany and investments, net	(1,250,395)	1,329,375	(78,980)	--	--
Other net	--	--	(31,939)	--	(31,939)
Net cash provided by (used in) financing activities	46,798	168,229	(659,977)	--	(444,950)
Effect of exchange rate changes on cash and cash equivalents	--	--	(5,788)	--	(5,788)
Increase (decrease) in cash and cash equivalents	8,515	(31,217)	(139,658)	--	(162,360)
Cash and cash equivalents at beginning of period	6,115	73,847	272,340	--	352,302
Cash and cash equivalents at end of period	$ 14,630	$ 42,630	$ 132,682	$ --	$ 189,942

22. SUBSEQUENT EVENTS

As part of its strategic plan, the Company announced in January 2000 that one of its subsidiaries has reached an agreement to sell its waste services operations in Finland to Lassila & Tikanoja plc for approximately $100 million. The transaction is subject to the approval of the Finnish Competition Authority. In February 2000, the Company announced that one of its subsidiaries intends to sell the 60.5% interest in Waste Management New Zealand Limited that it owns. The sale is to be by way of a public and institutional offering in New Zealand and an institutional offering in selected overseas markets. The shares will not be or have not been registered under the United States Securities Act of 1933, as amended, and may not be offered and sold in the United States without registration thereof. In March 2000, the Company announced that one of its wholly-owned subsidiaries has reached an agreement to sell its waste services operations in The Netherlands to Shanks Group plc for approximately $328 million. The sale is subject to the Shanks Group's raising capital and obtaining financing. The Company expects each of these transactions to be completed in the second quarter of 2000.

Additionally, in March 2000, the Company announced that one of its subsidiaries reached an agreement to sell its nuclear services business to GTS Duratek, Inc. for up to $65 million (unaudited) in cash, consisting of $55 million (unaudited) at closing and up to $10 million (unaudited) in additional cash consideration upon the satisfaction of certain post-closing conditions. The sale, which is subject to regulatory approvals and other customary conditions, is expected to occur in the second quarter of 2000.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item concerning directors of the Company is set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for its 2000 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "2000 Proxy Statement"), and is incorporated herein by reference.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and ages, as of March 6, 2000, of the Company's executive officers (as defined by regulations of the SEC), the positions they hold with the Company, and summaries of their business experience.

Robert P. Damico, age 51, has been Senior Vice President -- Midwest Area since the consummation of the WM Holdings Merger in July 1998. Prior thereto, Mr. Damico had served in various capacities at WM Holdings since 1980, including District Manager, Division Manager and Region Manager for the Mountain Region.

David R. Hopkins, age 56, has been Senior Vice President -- International Operations since November 1998 and has been Chief Executive Officer of Waste Management International, Inc. during that same period. Prior thereto, Mr. Hopkins had served as Vice President, Controller and Chief Accounting Officer of Browning-Ferris Industries, Inc. since 1987.

Ronald H. Jones, age 49, has been Vice President and Treasurer since joining the Company in June 1995. Prior to joining the Company, Mr. Jones was employed by Chambers Development Company, Inc. ("Chambers") as Vice President and Treasurer from July 1992 to June 1995, Director, Corporate Development from December 1990 to July 1992, and Assistant Vice President -- Finance from July 1989 to December 1990. Prior to joining Chambers, Mr. Jones was a Vice President and Manager of the Cincinnati regional office engaged in corporate and middle market lending with Bank of New York (formerly Irving Trust Company) and with Chase Manhattan Bank.

Miller J. Mathews, Jr., age 62, has been the Senior Vice President -- Southern Area since the consummation of the WM Holdings Merger. Prior thereto, Mr. Mathews was the Company's Region Vice President -- Southern Region since 1995 when the waste company which he had owned since 1981, Sunray Services, Inc., was acquired by the Company.

A. Maurice Myers, age 59, has been Chairman of the Board, Chief Executive Officer and President of the Company since November 1999. Mr. Myers was employed by Yellow Corporation, where he was Chairman, CEO and President since April 1996. Yellow Corporation is the parent company of Yellow Freight, one of the nation's oldest and largest trucking companies. Prior to joining Yellow Corporation in 1996, Mr. Myers served as President and Chief Operating Officer of America West Airlines. Mr. Myers also served as President and CEO of Aloha Airlines, and held a senior management position with Continental Airlines.

Lawrence O'Donnell, III, age 42, has been Senior Vice President, General Counsel and Secretary of the Company since January 2000. From 1991 until joining the Company, Mr. O'Donnell was with Baker Hughes Incorporated where he held various positions, including Vice President and General Counsel since 1995.

Susan J. Piller, age 47, has been Senior Vice President -- Employee Relations since May 1996. Prior to joining the Company, Ms. Piller was with Browning-Ferris Industries, Inc. from 1984 until 1996, where she held various labor and employment positions, including Vice President -- Employee Relations. Prior thereto, Ms. Piller was employed by the Houston law firm of Fulbright & Jaworski.

Robert G. Simpson, age 48, has been Vice President -- Taxation since November 1998. From July 1997 to November 1998, Mr. Simpson served as Vice President and General Manager of Tenneco Inc. and Tenneco Business Services, a diversified industrial company. From April 1990 to July 1997, Mr. Simpson served as Vice President -- Tax of Tenneco Inc.

Thomas L. Smith, age 61, has been Senior Vice President -- Information Systems since November 1999. From February 1997 through November 1999, Mr. Smith was Vice President of Information Systems of Yellow Services, Inc., and from November 1989 through February 1997 held the same position at America West Airlines.

Bruce E. Snyder, age 44, has been Vice President and Chief Accounting Officer of the Company since July 1992. Prior to joining the Company, Mr. Snyder was employed by the international accounting firm of Coopers & Lybrand L.L.P., serving there since 1989 as an audit manager.

Douglas G. Sobey, age 48, has been Senior Vice President -- Western Area, since July 1998. From 1996 to July 1998, Mr. Sobey was the Company's Region Vice President -- Northwest Region. From 1990 to 1996, Mr. Sobey held similar positions with Sanifill, Inc.

William L. Trubeck, age 53, has been Senior Vice President and Chief Financial Officer since March 2000. Prior to joining the Company, Mr. Trubeck was employed by International Multifoods Corporation, where he was Senior Vice President -- Finance, and Chief Financial Officer since early 1997 and President, Latin American Operations, since 1998. Prior to joining International Multifoods, Mr. Trubeck was Senior Vice President -- Finance, and Chief Financial Officer of SPX Corporation from 1994 to 1997.

Charles A. Wilcox, age 47, has been Senior Vice President -- Eastern Area since July 1998. From August 1996 to July 1998, Mr. Wilcox was Region Vice President -- Central Region. From December 1994 to August 1996, Mr. Wilcox served as an Executive Vice President of the Company.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the caption "Election of Directors -- Executive Compensation" in the 2000 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth under the caption "Election of Directors -- Beneficial Ownership of Waste Management Common Stock" in the 2000 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth under the caption "Election of Directors -- Certain Relationships and Related Transactions" in the 2000 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. FINANCIAL STATEMENT SCHEDULES, EXHIBITS, AND REPORTS ON FORM 8-K.

(a)(1) Consolidated Financial Statements:

Report of Independent Public Accountants

Report of Independent Accountants

Consolidated Balance Sheets as of December 31, 1999 and 1998

Consolidated Statements of Operations for the years ended December 31, 1999, 1998, and 1997

120

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1999, 1998, and 1997

Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998, and 1997

Consolidated Statements of Comprehensive Income for the years ended December 31, 1999, 1998, and 1997

Notes to Consolidated Financial Statements

(a)(2) Consolidated Financial Statement Schedules:

Schedule II -- Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is not significant or is included in the financial statements or notes thereto, or is not applicable.

(a)(3) Exhibits:

EXHIBIT NO.*	DESCRIPTION
2.1	-- Agreement and Plan of Merger, dated as of April 13, 1997, by and among the Registrant, Riviera Acquisition Corporation and United Waste Systems, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-31979].
2.2	-- Agreement and Plan of Merger, dated March 10, 1998, by and among the Registrant, Dome Merger Subsidiary, Inc. and Waste Management, Inc. [Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K dated March 10, 1998].
2.3	-- Agreement and Plan of Merger, dated as of February 16, 1998, by and among the Registrant, C&S Ohio Corp. and American Waste Services, Inc. [Incorporated by reference to Exhibit 10.70 to American Waste Services' Current Report on Form 8-K, dated February 6, 1998].
2.4	-- Agreement and Plan of Merger, dated as of August 16, 1998, by and among the Registrant, Ocho Acquisition Corporation and Eastern Environmental Services, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-64239].
2.5	-- Scheme of Arrangement between Waste Management International plc and the Holders of the Scheme Shares dated September 7, 1998 [Incorporated by reference to the Registrant's Schedule 13E-3 Transaction Statement dated September 7, 1998].
2.6	-- Agreement and Plan of Merger by and among the Registrant, TransAmerican Acquisition Corp., and TransAmerican Waste Industries, Inc. dated January 1998 [Incorporated by reference to the Registrant's Registration Statement on Form S-4, File No. 333-49253].
2.7	-- Agreement and Plan of Merger by and among Waste Management, Inc., WMI Merger Sub, Inc. and Wheelabrator Technologies Inc. dated December 8, 1997 [Incorporated by reference to Exhibit A of WTI's Proxy Statement on Schedule 14A filed on March 3, 1998].
3.1	-- Restated Certificate of Incorporation, as amended [Incorporated by reference to Exhibit 3.2 of the Registrant's current Report on Form 8-K dated July 16, 1998].
3.2	-- Bylaws [Incorporated by reference to Exhibit to Registrant's Form 10-Q for the quarter ended June 30, 1999].
4.1	-- Specimen Stock Certificate [Incorporated by reference to Exhibit 4.1 to the Registrants Annual Report on Form 10-K for the year ended December 31, 1998].
4.2	-- Indenture for Subordinated Debt Securities dated February 1, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated February 7, 1997].
4.3	-- Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated September 10, 1997].

EXHIBIT NO.*	DESCRIPTION
10.1	-- 1990 Stock Option Plan [Incorporated by reference to Exhibit 10.1 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990].
10.2	-- Conformed copy of 1993 Stock Incentive Plan, as amended and restated. [Incorporated by reference to Exhibit 10.2 (and 10.3) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.]
10.3	-- Conformed copy of 1996 Stock Option Plan for Non-Employee Directors, as amended. [Incorporated by reference to Exhibit 10.2 (and 10.3) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.]
10.4	-- Envirofil, Inc. 1993 Stock Incentive Plan [Incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-8, File No. 33-84990].
10.5	-- Western Waste Industries Amended and Restated 1983 Incentive Stock Option Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.6	-- Western Waste Industries 1983 Non-Qualified Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.7	-- Western Waste Industries 1992 Option Plan [Incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.8	-- Sanifill, Inc. 1994 Long-Term Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.9	-- Sanifill, Inc. 1989 Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.10	-- Waste Management, Inc. 1997 Equity Incentive Plan [Incorporated by reference to Exhibit A to Waste Management Holdings' Proxy Statement for its 1997 Annual Meeting of Shareholders].
10.11	-- WMX Technologies, Inc. 1996 Replacement Stock Option Plan [Incorporated by reference to Exhibit 4.13 to Waste Management Holdings' Registration Statement on Form S-8, File No. 333-01325].
10.12	-- WMX Technologies, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.31 to Waste Management Holdings' Registration Statement on Form S-1, File No. 33-44849].
10.13	-- WMX Technologies, Inc. 1992 Stock Option Plan for Non-Employee Directors [Incorporated by reference to Exhibit 10.23 to Waste Management Holdings' 1996 Annual Report on Form 10-K].
10.14	-- Waste Management, Inc. 1982 Stock Option Plan, as amended to March 11, 1988 [Incorporated by reference to Exhibit 10.3 to Waste Management Holdings' 1988 Annual Report on Form 10-K].
10.15	-- Wheelabrator Technologies Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.45 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.16	-- Wheelabrator Technologies Inc. 1988 Stock Plan for Executive Employees of WTI and its Subsidiaries [Incorporated by reference to Exhibit 28.1 to Amendment No. 1 to the Registration Statement of Wheelabrator Technologies Inc. on Form S-8, File No. 33-31523].
10.17	-- Chemical Waste Management, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.19 to the 1991 Annual Report on Form 10-K of Chemical Waste Management, Inc].
10.18	-- 1991 Stock Option Plan for Non-Employee Directors of Wheelabrator Technologies, Inc. [Incorporated by reference to Exhibit 19.04 WTI's Quarterly Report for the quarterly period ended June 30, 1991].
10.19	-- Amendments dated as of September 7, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].

EXHIBIT NO.*	DESCRIPTION
10.20	-- Amendment dated as of November 1, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.04 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.21	-- Amendment dated as of November 1, 1990 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.03 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.22	-- Amendment dated as of December 6, 1991 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.01 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.23	-- Amendment dated as of December 6, 1991 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.24	-- 1997 Employee Stock Purchase Plan [Incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.25	-- 401(k) Restoration Plan [Incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.26	-- TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.27	-- TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.28	-- Eastern Environmental Services, Inc. 1997 Stock Option Plan [Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, File No.333-70055].
10.29	-- Eastern Environmental Services, Inc. Amended and Restated 1996 Stock Option Plan [Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.30	-- Eastern Environmental Services, Inc. 1991 Stock Option Plan [Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.31	-- Third Amended and Restated Revolving Credit Agreement, dated as of December 15, 1999 among the Registrant, the Guarantors Bank of America, N.A., Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.32 of the Registrant's Registration Statement on Form S-4, Reg. No. 333-87319].
10.32	-- Amended and Restated Loan Agreement dated as of December 15, 1999, among the Registrant, the Guarantors, Bank Boston, N.A. Bank of America National Trust and Savings Association, Chase Bank of Texas, N.A., Deutsche Bank AG, New York Branch, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.33 of the Registrant's Registration Statement on Form S-4, Reg. No. 333-87319].
10.33	-- 1998 Waste Management, Inc. Directors' Deferred Compensation Plan [Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1999].
10.34	-- 1999 Waste Management, Inc. Directors Deferred Compensation Plan [Incorporated by reference to Exhibit 10.2 to the Registrants Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.]
10.35	-- Employment Agreement between the Company and A. Maurice Myers, dated November 8, 1999.
10.36	-- Employment Agreement between the Company and Lawrence O'Donnell, III, dated January 21, 2000.
10.37	-- Employment Agreement between the Company and William L. Trubeck, dated February 16, 2000.

EXHIBIT NO.*	DESCRIPTION
10.38	-- Term Sheet for Employment of Thomas L. Smith by the Company.
10.39	-- Employment Agreement between the Company and Robert A. Damico, dated December 17, 1998.
10.40	-- Employment Agreement between the Company and Charles A. Wilcox, dated February 3, 1998.
10.41	-- Employment Agreement between the Company and Douglas G. Sobey, dated May 7, 1997.
10.42	-- Employment Agreement between the Company and Miller J. Mathews, Jr., dated October 1, 1998.
10.43	-- Employment Agreement between the Company and David R. Hopkins, dated January 1, 1999.
10.44	-- Employment Agreement between the Company and Robert G. Simpson, dated October 15, 1998.
10.45	-- Employment Agreement and Amendment to Employment Agreement between the Company and Susan J. Piller, dated as of June 1, 1997 and December 7, 1997, respectively [Incorporated by reference to Exhibits 10.19 and 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.46	-- Employment Agreement between the Company and Ronald H. Jones, dated as of August 27, 1997 and December 7, 1997 [Incorporated by reference to Exhibits 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.47	-- Employment Agreement and Amendment to Employment Agreement between the Company and William A. Rothrock, dated as of October 7, 1997 and December 12, 1997, respectively [Incorporated by reference to Exhibits 10.21 and 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.48	-- Employment Agreement and Amendment to Employment Agreement between the Company and Bruce E. Snyder, dated as of June 1, 1997 and December 1, 1997 [Incorporated by reference to Exhibits 10.26 and 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.49	-- 2000 Broad-Based Employee Plan
12.1	-- Computation of Ratio of Earnings to Fixed Charges.
21.1	-- Subsidiaries of the Registrant.
23.1	-- Consent of Arthur Andersen LLP.
23.2	-- Consent of PricewaterhouseCoopers LLP.
27	-- Financial Data Schedule.

- ---

* In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the Registrant's file number under that Act is 1-12154. Waste Management Holdings' file number under the Exchange Act is 1-7327, Chemical Waste Management, Inc.'s file number is 1-9253 and Wheelabrator Technologies Inc.'s file number is 0-14246.

(b) Reports on Form 8-K:

During the fourth quarter of 1999, the Company filed a Current Report on Form 8-K dated October 20, 1999 to report the resignation of Messrs. Heckmann, Kinder and Drury from the Board of Directors of the Company effective August 13, September 23 and October 19, 1999, respectively. The Company also reported that consistent with its plan to reduce the size of its Board of Directors, none of Messrs. Heckmann's, Kinder's or Drury's board positions would be filled.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ A. MAURICE MYERS
A. Maurice Myers
President, Chief Executive Officer
and
Chairman of the Board

Date: March 30, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ A. MAURICE MYERS A. Maurice Myers	President, Chief Executive Officer, Chairman of the Board, and Director (Principal Executive Officer)	March 30, 2000
/s/ WILLIAM L. TRUBECK William L. Trubeck	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 2000
/s/ BRUCE E. SNYDER Bruce E. Snyder	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 30, 2000
/s/ H. JESSE ARNELLE H. Jesse Arnelle	Director	March 30, 2000
/s/ PASTORA SAN JUAN CAFFERTY Pastora San Juan Cafferty	Director	March 30, 2000
/s/ RALPH F. COX Ralph F. Cox	Director	March 30, 2000
/s/ RODERICK M. HILLS Roderick M. Hills	Director	March 30, 2000
Robert S. Miller	Director	March 30, 2000
/s/ PAUL M. MONTRONE Paul M. Montrone	Director	March 30, 2000
/s/ JOHN C. POPE John C. Pope	Director	March 30, 2000
/s/ STEVEN G. ROTHMEIER Steven G. Rothmeier	Director	March 30, 2000
/s/ RALPH V. WHITWORTH Ralph V. Whitworth	Director	March 30, 2000
/s/ JEROME B. YORK Jerome B. York	Director	March 30, 2000

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Waste Management, Inc.:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Waste Management, Inc. and subsidiaries included in this Annual Report on Form 10-K and have issued our report thereon dated March 27, 2000, in which we expressed an unqualified opinion based upon our audits and the report of other auditors. Our report contained an explanatory paragraph indicating that we attempted, but were unable, to review the quarterly financial data for the interim periods within 1999 included in Note 20 to the Company's consolidated financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. Schedule II has been subjected to the auditing procedures applied in the audits, of the basic financial statements, and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Houston, Texas
March 27, 2000

WASTE MANAGEMENT, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

	Balance Beginning of Year	Charged (Credited) to Income	Accounts Written Off/ Use of Reserve	Other (A)	Effect of Foreign Currency Translation	Balance End of Year
1997 - Reserve for doubtful accounts(B)	$ 76,662	$ 69,592	$ (56,586)	$ 7,336	$ (2,605)	$ 94,399
1998 - Reserve for doubtful accounts(B)	94,399	70,727	(51,657)	4,164	1,284	118,917
1999 - Reserve for doubtful accounts(B)	118,917	268,379	(96,272)	7,222	(3,247)	294,999
1997 - Merger and restructuring accruals(C)	69,843	160,528	(109,039)	--	--	121,332
1998 - Merger and restructuring accruals(C)	121,332	675,200	(536,401)	--	1,106	261,237
1999 - Merger and restructuring accruals(C)	261,237	(8,182)	(141,348)	--	(3,127)	108,580
1997 - Reserve for major maintenance expenditures(D)	63,790	6,924	(5,919)	--	--	64,795
1998 - Reserve for major maintenance expenditures(D)	64,795	4,289	(9,658)	--	--	59,426
1999 - Reserve for major maintenance expenditures(D)	59,426	8,881	(14,877)	--	--	53,430

(A) Acquired reserves for doubtful accounts relative to purchase business combinations, reserves associated with dispositions of businesses, and reserves reclassified to operations held for sale.

(B) Includes reserves for doubtful long-term notes receivable.

(C) Accruals are included in accrued liabilities and other liabilities. These accruals represent transaction or deal costs, employee severance, separation, and transitional costs and restructuring charges.

(D) Accruals for major maintenance expenditures at the Company's waste-to-energy and independent power facilities.

INDEX TO EXHIBITS

EXHIBIT NO.*	DESCRIPTION
2.1	-- Agreement and Plan of Merger, dated as of April 13, 1997, by and among the Registrant, Riviera Acquisition Corporation and United Waste Systems, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-31979].
2.2	-- Agreement and Plan of Merger, dated March 10, 1998, by and among the Registrant, Dome Merger Subsidiary, Inc. and Waste Management, Inc. [Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K dated March 10, 1998].
2.3	-- Agreement and Plan of Merger, dated as of February 16, 1998, by and among the Registrant, C&S Ohio Corp. and American Waste Services, Inc. [Incorporated by reference to Exhibit 10.70 to American Waste Services' Current Report on Form 8-K, dated February 6, 1998].
2.4	-- Agreement and Plan of Merger, dated as of August 16, 1998, by and among the Registrant, Ocho Acquisition Corporation and Eastern Environmental Services, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-64239].
2.5	-- Scheme of Arrangement between Waste Management International plc and the Holders of the Scheme Shares dated September 7, 1998 [Incorporated by reference to the Registrant's Schedule 13E-3 Transaction Statement dated September 7, 1998].
2.6	-- Agreement and Plan of Merger by and among the Registrant, TransAmerican Acquisition Corp., and TransAmerican Waste Industries, Inc. dated January 1998 [Incorporated by reference to the Registrant's Registration Statement on Form S-4, File No. 333-49253].
2.7	-- Agreement and Plan of Merger by and among Waste Management, Inc., WMI Merger Sub, Inc. and Wheelabrator Technologies Inc. dated December 8, 1997 [Incorporated by reference to Exhibit A of WTI's Proxy Statement on Schedule 14A filed on March 3, 1998].
3.1	-- Restated Certificate of Incorporation, as amended [Incorporated by reference to Exhibit 3.2 of the Registrant's current Report on Form 8-K dated July 16, 1998].
3.2	-- Bylaws [Incorporated by reference to Exhibit to Registrant's Form 10-Q for the quarter ended June 30, 1999].
4.1	-- Specimen Stock Certificate [Incorporated by reference to Exhibit 4.1 to the Registrants Annual Report on Form 10-K for the year ended December 31, 1998].
4.2	-- Indenture for Subordinated Debt Securities dated February 1, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated February 7, 1997].
4.3	-- Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated September 10, 1997].
10.1	-- 1990 Stock Option Plan [Incorporated by reference to Exhibit 10.1 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990].
10.2	-- Conformed copy of 1993 Stock Incentive Plan, as amended and restated. [Incorporated by reference to Exhibit 10.2 (and 10.3) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.]
10.3	-- Conformed copy of 1996 Stock Option Plan for Non-Employee Directors, as amended. [Incorporated by reference to Exhibit 10.2 (and 10.3) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.]
10.4	-- Envirofil, Inc. 1993 Stock Incentive Plan [Incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-8, File No. 33-84990].
10.5	-- Western Waste Industries Amended and Restated 1983 Incentive Stock Option Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].

EXHIBIT NO.*	DESCRIPTION
10.6	-- Western Waste Industries 1983 Non-Qualified Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.7	-- Western Waste Industries 1992 Option Plan [Incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.8	-- Sanifill, Inc. 1994 Long-Term Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.9	-- Sanifill, Inc. 1989 Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.10	-- Waste Management, Inc. 1997 Equity Incentive Plan [Incorporated by reference to Exhibit A to Waste Management Holdings' Proxy Statement for its 1997 Annual Meeting of Shareholders].
10.11	-- WMX Technologies, Inc. 1996 Replacement Stock Option Plan [Incorporated by reference to Exhibit 4.13 to Waste Management Holdings' Registration Statement on Form S-8, File No. 333-01325].
10.12	-- WMX Technologies, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.31 to Waste Management Holdings' Registration Statement on Form S-1, File No. 33-44849].
10.13	-- WMX Technologies, Inc. 1992 Stock Option Plan for Non-Employee Directors [Incorporated by reference to Exhibit 10.23 to Waste Management Holdings' 1996 Annual Report on Form 10-K].
10.14	-- Waste Management, Inc. 1982 Stock Option Plan, as amended to March 11, 1988 [Incorporated by reference to Exhibit 10.3 to Waste Management Holdings' 1988 Annual Report on Form 10-K].
10.15	-- Wheelabrator Technologies Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.45 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.16	-- Wheelabrator Technologies Inc. 1988 Stock Plan for Executive Employees of WTI and its Subsidiaries [Incorporated by reference to Exhibit 28.1 to Amendment No. 1 to the Registration Statement of Wheelabrator Technologies Inc. on Form S-8, File No. 33-31523].
10.17	-- Chemical Waste Management, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.19 to the 1991 Annual Report on Form 10-K of Chemical Waste Management, Inc].
10.18	-- 1991 Stock Option Plan for Non-Employee Directors of Wheelabrator Technologies, Inc. [Incorporated by reference to Exhibit 19.04 WTI's Quarterly Report for the quarterly period ended June 30, 1991].
10.19	-- Amendments dated as of September 7, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.20	-- Amendment dated as of November 1, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.04 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.21	-- Amendment dated as of November 1, 1990 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.03 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.22	-- Amendment dated as of December 6, 1991 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.01 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.23	-- Amendment dated as of December 6, 1991 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].

EXHIBIT NO.*	DESCRIPTION
10.24	-- 1997 Employee Stock Purchase Plan [Incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.25	-- 401 (k) Restoration Plan [Incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.26	-- TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.27	-- TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.28	-- Eastern Environmental Services, Inc. 1997 Stock Option Plan [Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, File No.333-70055].
10.29	-- Eastern Environmental Services, Inc. Amended and Restated 1996 Stock Option Plan [Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.30	-- Eastern Environmental Services, Inc. 1991 Stock Option Plan [Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.31	-- Third Amended and Restated Revolving Credit Agreement, dated as of December 15, 1999 among the Registrant, the Guarantors Bank of America, N.A., Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.32 of the Registrant's Registration Statement on Form S-4, Reg. No. 333-87319].
10.32	-- Amended and Restated Loan Agreement dated as of December 15, 1999, among the Registrant, the Guarantors, Bank Boston, N.A. Bank of America National Trust and Savings Association, Chase Bank of Texas, N.A., Deutsche Bank AG, New York Branch, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.33 of the Registrant's Registration Statement on Form S-4, Reg. No. 333-87319].
10.33	-- 1998 Waste Management, Inc. Directors' Deferred Compensation Plan [Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1999].
10.34	-- 1999 Waste Management, Inc. Directors Deferred Compensation Plan [Incorporated by reference to Exhibit 10.2 to the Registrants Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.]
10.35	-- Employment Agreement between the Company and A. Maurice Myers, dated November 8, 1999.
10.36	-- Employment Agreement between the Company and Lawrence O'Donnell, III, dated January 21, 2000.
10.37	-- Employment Agreement between the Company and William L. Trubeck, dated February 16, 2000.
10.38	-- Term Sheet for Employment of Thomas L. Smith by the Company.
10.39	-- Employment Agreement between the Company and Robert A. Damico, dated December 17, 1998.
10.40	-- Employment Agreement between the Company and Charles A. Wilcox, dated February 3, 1998.
10.41	-- Employment Agreement between the Company and Douglas G. Sobey, dated May 7, 1997.
10.42	-- Employment Agreement between the Company and Miller J. Mathews, Jr., dated October 1, 1998.
10.43	-- Employment Agreement between the Company and David R. Hopkins, dated January 1, 1999.

EXHIBIT NO.*	DESCRIPTION
10.44	-- Employment Agreement between the Company and Robert G. Simpson, dated October 15, 1998.
10.45	-- Employment Agreement and Amendment to Employment Agreement between the Company and Susan J. Piller, dated as of June 1, 1997 and December 7, 1997, respectively [Incorporated by reference to Exhibits 10.19 and 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.46	-- Employment Agreement between the Company and Ronald H. Jones, dated as of August 27, 1997 and December 7, 1997 [Incorporated by reference to Exhibits 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.47	-- Employment Agreement and Amendment to Employment Agreement between the Company and William A. Rothrock, dated as of October 7, 1997 and December 12, 1997, respectively [Incorporated by reference to Exhibits 10.21 and 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.48	-- Employment Agreement and Amendment to Employment Agreement between the Company and Bruce E. Snyder, dated as of June 1, 1997 and December 1, 1997 [Incorporated by reference to Exhibits 10.26 and 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997]
10.49	-- 2000 Broad-Based Employee Plan
12.1	-- Computation of Ratio of Earnings to Fixed Charges.
21.1	-- Subsidiaries of the Registrant.
23.1	-- Consent of Arthur Andersen LLP.
23.2	-- Consent of PricewaterhouseCoopers LLP.
27	-- Financial Data Schedule.

- ---

* In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the Registrant's file number under that Act is 1-12154. Waste Management Holdings' file number under the Exchange Act is 1-7327, Chemical Waste Management, Inc.'s file number is 1-9253 and Wheelabrator Technologies Inc.'s file number is 0-14246.

EXHIBIT 10.35

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and A. Maurice Myers (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of November 8, 1999, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall commence on November 10, 1999 and be for a continuously renewing (on a daily basis) five (5) year term, without any further action by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below. The date on which Executive commences employment with the Company shall be referred to as the "Commencement Date" and 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 Chief Executive Officer and President of the Company and shall serve as Chairman of the Board of Directors of the Company (the "Board"). In such capacities, Executive shall perform such duties and have the power, authority and functions commensurate with such positions in similarly sized public companies and such other authority and functions consistent with such positions as may be assigned to Executive from time to time by the Board.

(b) Executive shall devote substantially all of his working time, attention and energies to the business of the Company, and 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 consent of the Board (which shall not unreasonably be withheld or delayed) serve on boards of other for profit entities, provided such activities do not materially interfere with the performance of his duties hereunder. Service on the for profit boards that Executive is currently serving on are hereby approved.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Period, the Company shall pay Executive a base salary at the annual rate of eight hundred fifty thousand ($850,000) dollars 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 100% of his Base Salary as in effect for such year (the "Target Bonus"), and his actual annual bonus may range from 0% to 200%, and will be determined based upon achievement of performance goals established by the Compensation Committee of the Board pursuant to such plan.

(c) REPLACEMENT AWARDS. In order to address certain forfeitures that Executive will face upon termination of his employment with his prior employer, Executive shall be awarded or receive the following:

(i) Cash Award. Within thirty (30) days after the Commencement Date, the Company will pay Executive $650,000.

(ii) Restricted Stock Award. Effective as of November 11, 1999 (the "Grant Date"), the Company will grant Executive an award of 265,000 restricted shares of the Company's common stock (the "Stock") under the Waste Management, Inc. 1993 Stock Incentive Plan (the "Stock Incentive Plan") that will vest in equal installments on each of the first three anniversaries of the Commencement Date, subject (except as otherwise provided herein) to Executive's continuous employment with the Company through the applicable vesting date (the "Restricted Stock Grant"). The Restricted Stock Grant shall be deemed outstanding shares for all purposes and Executive shall be fully vested in any cash dividends paid therein (and non cash dividends being subject to the same forfeiture provisions as the underlying Restricted Stock Grant shares).

(iii) Stock Options. Effective as of the Grant Date, Executive will be granted a ten-year stock option award under the Stock Incentive Plan to purchase 650,000 shares of Stock. The exercise price shall be the fair market value as on the Grant Date, and the options shall vest on the fifth anniversary of the Commencement Date, provided that the options shall earlier vest as follows, if the average of the closing price of the Stock on the New York Stock Exchange (or, if not listed on the New York Stock Exchange, such primary exchange or market on which the Stock is listed) for any continuous sixty trading-day period exceeds the following: one-third shall vest if such average closing price exceeds $21.50, an additional one-third shall vest if such average closing price exceeds $27.00 and the remaining one-third shall vest if

such average closing stock price exceeds $34.00. Such closing stock price targets shall be appropriately adjusted to reflect any stock split, reverse stock split, extraordinary dividend or other similar event with respect to the stock in each case, subject (except as otherwise provided herein) to Executive's continuous employment with the Company through the applicable vesting date.

(d) LONG TERM INCENTIVE AWARD. Effective as of the Grant Date, Executive will be granted a 10-year stock option award to purchase 1,000,000 shares of Stock. The exercise price of the options will be the fair market value per share of Stock on the Grant Date. The option award shall be divided into three equal tranches: The first tranche shall vest one-third on the Grant Date, one-third on the second anniversary of the Commencement Date and one-third on the third anniversary; the second tranche shall vest in three equal annual installments commencing on the second anniversary of the Commencement Date; and the third tranche shall vest in three equal annual installments commencing on the third anniversary of the Commencement Date, in each case subject (except as otherwise provided herein) to Executive's continuous employment with the Company through the applicable vesting date. Notwithstanding the foregoing, because of the maximum per individual per year grant limits in the Stock Incentive Plan, 150,000 options of the third tranche (the "Shortfall") will not be permitted to be granted until January 1, 2000. Such options plus an Adjustment Amount, if appropriate, will be granted on such date at the then fair market value. The Adjustment Amount shall be granted only if the fair market value is greater on January 1, 2000 than it is on the Grant Date and shall be equal to the Shortfall multiplied by the difference in fair market value between the two dates and further multiplied by .7432. The Options under (c) and (d) shall be transferable to family members in accordance with Section 9.2 of the Stock Incentive Plan.

(e) OTHER COMPENSATION. Executive shall be entitled to participate in any incentive or supplemental compensation plan or arrangement maintained or instituted by the Company, and covering its principal executive officers, at a level commensurate with his positions and to receive additional compensation from the Company in such form, and to such extent, if any, as the Compensation Committee may in its sole discretion from time to time specify.

(f) BENEFIT PLANS AND VACATION. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing 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 its executive officers at a level commensurate with his positions. All waiting periods for welfare plans shall be waived. 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. The Executive shall also be entitled to such periods of sick leave as is customarily provided by the Company for its senior executive employees.

(g) SUPPLEMENTAL RETIREMENT BENEFIT. Executive (or his surviving spouse) shall be entitled to the supplemental retirement benefit payable by the Company set forth below (the "Supplemental Retirement Benefit"). One Hundred Thousand Dollars ($100,000) of such retirement benefit shall first become payable on May 1, 2001 or, if earlier, the termination of Executive's employment with the Company and the remainder upon the termination of Executive's employment with the Company and shall be payable each year to Executive through the remainder of his life in quarterly calendar installments (with a prorated initial installment if necessary), with a one hundred percent right of survivorship.

(i) Voluntary Termination. In the event Executive voluntarily terminates his employment other than for Good Reason or is terminated for Cause, the Supplemental Retirement Benefit shall be:

Date of Employment Termination	Supplemental Retirement Benefit
On or after the fifth anniversary of the Commencement Date	$ 600,000
On or after the fourth anniversary of the Commencement Date	$ 500,000
On or after the third anniversary of the Commencement Date	$ 400,000
On or after the 18-month anniversary of the Commencement Date	$ 100,000
Prior to the 18-month anniversary of the Commencement Date	none

(ii) Certain Involuntary Terminations. In the event Executive's employment terminates as a result of his death or Total Disability, the Company terminates his employment other than for Cause or Executive terminates his employment for Good Reason, the Supplemental Retirement Benefit shall be (with proration between specified dates based on the number of three-month

periods in which he was employed compared to 4 and, in any event $600,000 if after, at, or in contemplation of, a Change in Control):

Date of Employment Termination	Supplemental Retirement Benefit
On or after the fourth anniversary of the Commencement Date	$ 600,000
On or after the third anniversary of the Commencement Date	$ 500,000
On or after the second anniversary of the Commencement Date	$ 400,000
On or after the first anniversary of the Commencement Date	$ 300,000
Prior to the first anniversary of the Commencement Date	$ 200,000

(h) WHOLE LIFE INSURANCE POLICY. During the Employment Period the Company shall pay the premiums on the $1 million whole life insurance policy that Executive's prior employer has heretofore paid in the amount of approximately $2,400 per month.

(i) 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. In addition the Company shall (i) pay for the reasonable costs, fees and expenses incurred by Executive, his consultants or legal advisors in connection with the negotiation and execution of this Agreement (in an amount not to exceed $25,000 (or such greater amount as the parties may agree)) and (ii) reimburse Executive (on a fully grossed up basis for any amounts taxable to Executive) for reasonable costs incurred in connection with the relocation of his principal residence to the Houston, Texas area at a level commensurate with Executive's position and the type of relocation benefits provided by public companies of similar size to their executives, which shall in any event include the purchase by the Company (or a relocation company) of such residence at its fair market value if not sold within 90 days of the Commencement Date, any real estate commissions incurred in connection with the sale of such residence and any points on a loan for a new home. In addition, the Company shall provide Executive temporary housing in the Houston area for up to six (6) months.

(j) SPECIAL LOAN. In the event Executive's stock options to purchase securities of his prior employer would expire at a time that he could not sell the stock issued on their exercise for security law reasons, at the Executive's request, the Company shall lend or arrange to be loaned to the Executive (until the earlier of six (6) months after such loan or sale of the underlying corresponding stock) on an unsecured basis, but with interest at the applicable federal rate, an amount sufficient to exercise such option and to pay any necessary withholding on the income from such exercise.

(k) SECURITY NEEDS. The Company will provide Executive and his family with personal safety and security protection as appropriate and reasonable under the circumstances.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive has been physically or mentally incapacitated so as to render Executive incapable of performing Executive's material usual and customary duties under this Agreement for six (6) consecutive months (such consecutive absence not being deemed interrupted by Executive's return to service for less than 10 consecutive business days if absent thereafter for the same illness or disability). Any such termination shall be upon thirty (30) days written notice given at any time thereafter while Executive remains Totally Disabled, provided that a termination for Total Disability hereunder shall not be effective if Executive returns to full performance of his duties within such thirty (30) day period.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time within ninety (90) days after the Chairman of the Audit or Governance Committee of the Board has knowledge thereof.

(i) For purposes of this Agreement, the term "Cause" shall be limited to (1) willful misconduct by Executive with regard to the Company which has a material adverse effect on the Company; (2) the willful refusal of Executive to attempt to follow the proper written direction of the Board, provided that the foregoing refusal shall not be "Cause" if Executive in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board; (3) substantial and continuing willful refusal by the Executive to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial

performance is delivered to the Executive by the Board which specifically identifies the manner in which it is believed that the Executive has substantially and continually refused to attempt to perform his duties hereunder; or (4) the Executive being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered "willful" unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company.

(ii) A Notice of Termination for Cause shall mean a 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 for a basis for termination for Cause. Further, a Notification for Cause shall be required to include a copy of a resolution duly adopted by at least two-thirds (2/3rds) of the entire membership of the Board at a meeting of the Board which was called for the purpose of considering such termination and which Executive and his representative had the right to attend and address the Board, finding that, in the good faith of the Board, Executive engaged in conduct set forth in the definition of Cause herein and specifying the particulars thereof in reasonable detail. The date of termination for a termination for Cause shall be the date indicated in the Notice of Termination. Any purported termination for Cause which is held by a court or 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 employment hereunder with or without Good Reason at any time upon written notice to the Company.

(i) A Termination for Good Reason means a termination by Executive by written notice given within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are fully 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: (1) any material diminution of Executive's positions, duties or responsibilities hereunder (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), or, the assignment to Executive of duties or responsibilities that are inconsistent with Executive's then position; provided that if the Company becomes a fifty percent or more subsidiary of any other entity, Executive shall be deemed to have a material diminution of his position unless he is also Chairman and Chief Executive Officer of

the ultimate parent entity; (2) removal of, or the nonreelection of, the Executive from officer positions with the Company specified herein or removal of the Executive from any of his then officer positions; (3) requiring Executive's principal place of business to be located other than in the Houston, Texas greater Metropolitan region; (4) a failure by the Company (I) to continue any bonus plan, program or arrangement in which Executive is entitled to participate (the "Bonus Plans"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Executive with substantially similar benefits are not substituted therefor ("Substitute Plans"), or (II) to continue Executive as a participant in the Bonus Plans and Substitute Plans on at least the same basis as to potential amount of the bonus as Executive participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans; (5) any material breach by the Company of any provision of this Agreement, including without limitation Section 10 hereof; (6) Executive's removal from or failure to be elected or reelected to the Board; or (7) 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.

(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 (i)(1) or (2) the date may be five (5) 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, 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, a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded senior executives and paid at the same time as senior executives are paid, and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements (including those referred to in Section 4(f) 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 awarded to Executive and the Restricted Stock Grant 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 options.

(v) As otherwise specifically provided herein.

(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 for the year in which Executive is terminated.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements (including those referred to in Section 4(f) 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, Executive shall be fully vested in all stock option awards and the Restricted Stock Grant and Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.

(v) As otherwise specifically provided herein.

(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(f) hereof) shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) As otherwise specifically provided herein.

Any options, restricted stock or other awards that have not vested prior to the date of such termination of employment shall be cancelled and any options held by Executive shall be cancelled, whether or not then vested.

(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(f) hereof) shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) As otherwise specifically provided herein.

Any options, restricted stock or other awards that have not vested prior to the date of such termination of employment shall be cancelled and Executive shall have 90 days following termination of employment to exercise any previously vested options (or, if earlier, until the stated expiration thereof).

(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(f) 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, and also including deferred compensation, disability, automobile, 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 payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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) Except to the extent prohibited by law, and except as otherwise provided herein, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also 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, 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 of employment. Executive shall have two (2) years and six (6) months after the date of termination to exercise all options, unless by virtue of the particular stock option award, the option grant expires on an earlier date.

(vii) As otherwise specifically provided herein.

(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 unappealable 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 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 three years.

(ii) 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) 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 and will be fully vested in the $600,000 retirement benefit provided under Section 4(g) hereof. 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 Employee'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 resignation from 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 Commencement 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 Commencement 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 equity 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 on 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. RESTRICTIVE COVENANTS.

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for two (2) years thereafter, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 3% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is materially engaged in the waste management business competitive with that conducted and carried on by the Company, without the Company's specific written consent to do so. "Material" shall mean more than five (5%) percent of their revenue is generated from the waste management business; provided that the revenues within Executive's area of responsibility or authority are not more than 10% composed of revenues from the waste disposal business. Notwithstanding the foregoing, Executive may be employed by or provide services to, an investment banking firm or consulting firm that provides services to entities described in the previous sentence, provided that Executive does not personally represent or provide services to such entities.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of two (2) years after the Termination thereof, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly and personally knowingly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) after his termination of employment, request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iii) after his termination of employment, individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, solicit, entice or induce any then employee of the Company, or any subsidiary of the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Employee, or any person, firm, association or corporation with which Executive is affiliated without prior written consent of the Company. The foregoing shall not prevent Executive from serving as a reference for employees.

(c) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like, to the extent not generally known in the industry (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information, provided that (i) while employed by the Company, Executive may in good faith make disclosures he believes desirable, and (ii) Executive may comply with legal process.

9. ENFORCEMENT OF COVENANTS.

(a) 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 may be inadequate. Therefore, in the event of breach or threatened breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; injunctions, both preliminary and permanent, enjoining or restraining such breach or threatened breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction.

(b) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate 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 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. The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ Ralph V. Whitworth

Name: Ralph V. Whitworth

Title: Chairman

Date: November 8, 1999

EXECUTIVE

A. Maurice Myers

Date: November 8, 1999

Address: 1111 Caroline, Apt. 2805
Houston, Texas 77010

EXHIBIT 10.36

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and LAWRENCE O'DONNELL, III (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of January 21, 2000, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall commence on February 14, 2000, or sooner at the option of the Executive, and be for a continuously renewing (on a daily basis) five (5) year term, without any further action by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below. The date on which Executive commences employment with the Company shall be referred to as the "Commencement Date" and 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 Senior Vice President and General Counsel, and shall serve as Secretary to the Board of Directors of the Company (the "Board"). In such capacities, Executive shall perform such duties and have the power, authority and functions commensurate with such positions in similarly sized public companies and such other authority and functions consistent with such positions as may be assigned to Executive from time to time by the Board.

(b) Executive shall devote substantially all of his working time, attention and energies to the business of the Company, and 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 consent of the Board (which shall not unreasonably be withheld or delayed) serve on boards of other for profit entities, provided such activities do not materially interfere with the performance of his duties hereunder. Service on the for profit boards that Executive is currently serving on are hereby approved.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Period, the Company shall pay Executive a base salary at the annual rate of four hundred seventy thousand ($470,000) dollars 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 sixty percent (60%) of his Base Salary as in effect for such year (the "Target Bonus"), and his actual annual bonus may range from 0% to 120% (two times target), and will be determined based upon achievement of performance goals (seventy percent [70%] financial [return on capital investments and EBITDA] and thirty percent [30%] personal) as approved by the Compensation Committee of the Board.

(c) SIGN-ON BONUS. Within thirty (30) days after the Commencement Date, the Company will pay Executive a two hundred thousand ($200,000) dollar sign-on bonus.

(d) FIRST BONUS GUARANTEED. The Company will pay to Executive a minimum guaranteed bonus in the amount of one hundred eighty-eight thousand ($188,000) dollars, to be paid in 2001.

(e) STOCK OPTIONS.

(i) Effective as of the date of this Agreement, Executive will be granted a ten-year stock option award under the Stock Incentive Plan to purchase three hundred fifty thousand (350,000) shares of Stock. The exercise price shall be the fair market value on such date, and the options shall vest in equal installments in each of the first four (4) anniversaries of the date of this Agreement.

(ii) Following the February/March, 2001 meeting of the Compensation Committee of the Board of Directors, Executive will be granted a ten (10) year stock option award under the Stock Incentive Plan to purchase one hundred seventy-five thousand (175,000) shares of Stock. The exercise price shall be the fair market value on the date the Compensation Committee meets to award the options, and the options shall vest in equal installments over five (5) years. Thereafter, Executive shall participate in the Company's annual stock option award program as administered by, and at the discretion of, the Compensation Committee of the Board of Directors.

(f) REPLACEMENT AWARDS. In order to address certain forfeitures that Executive will face upon termination of his employment with his prior employer, Executive shall be awarded or receive the following:

Restricted Stock Award. Effective as of the Commencement Date, the Company will grant Executive an award of restricted shares of the Company's common stock (the "Stock") (valued at three hundred thousand [$300,000] dollars on the date of grant) under the Waste Management, Inc. 1993 Stock Incentive Plan (the "Stock Incentive Plan") that will vest in equal installments on each of the first four (4) anniversaries of the Commencement Date, subject (except as otherwise provided herein) to Executive's continuous employment with the Company through the applicable vesting date (the "Restricted Stock Grant"). The Restricted Stock Grant shall be deemed outstanding shares for all purposes and Executive shall be fully vested in any cash

dividends paid therein (and non cash dividends being subject to the same forfeiture provisions as the underlying Restricted Stock Grant shares).

(g) OTHER COMPENSATION. Executive shall be entitled to participate in the Company's "Executive Deferral Plan" and any incentive or supplemental compensation plan, or arrangement maintained or instituted by the Company, and covering its principal executive officers, at a level commensurate with his positions and to receive additional compensation from the Company in such form, and to such extent, if any, as the Compensation Committee may in its sole discretion from time to time specify.

(h) BENEFIT PLANS AND VACATION. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing 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 its executive officers at a level commensurate with his positions. All waiting periods for welfare plans shall be waived, and pre-existing medical conditions for Executive and Executive's family members will not be a basis for withholding medical insurance benefits. 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. The Executive shall also be entitled to such periods of sick leave as is customarily provided by the Company for its senior executive employees. Executive shall be eligible to participate in the Company's 401(k) Plan after 90 days of employment.

(i) OTHER PERQUISITES. Executive shall be entitled to the following benefits:

1. Auto Allowance in the amount of one thousand ($1,000) dollars per month;

2. Financial Planning Services at actual cost, and not to exceed fifteen thousand ($15,000) dollars annually;

3. Club Dues and Assessments at actual cost, and not to exceed twelve thousand ($12,000) dollars annually; and

4. An Annual Physical Examination on a program designated by the Company.

(j) 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. In addition the Company shall (i) pay for the reasonable costs, fees and expenses incurred by Executive, his consultants or legal advisors in connection with the negotiation and execution of this Agreement in an amount not to exceed ten thousand ($10,000) dollars.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive has been physically or mentally incapacitated so as to render Executive incapable of performing Executive's material usual and customary duties under this Agreement for six (6) consecutive months (such consecutive absence not being deemed interrupted by Executive's return to service for less than 10 consecutive business days if absent thereafter for the same illness or disability). Any such termination shall be upon thirty (30) days written notice given at any time thereafter while Executive remains Totally Disabled, provided that a termination for Total Disability hereunder shall not be effective if Executive returns to full performance of his duties within such thirty (30) day period.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time within ninety (90) days after the Chairman of the Audit or Governance Committee of the Board has knowledge thereof.

(i) For purposes of this Agreement, the term "Cause" shall be limited to (1) willful misconduct by Executive with regard to the Company which has a material adverse effect on the Company; (2) the willful refusal of Executive to attempt to follow the proper written direction of the Board, provided that the foregoing refusal shall not be "Cause" if Executive in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board; (3) substantial and continuing willful refusal by the Executive to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which it is believed that the Executive has substantially and continually refused to attempt to perform his duties hereunder; or (4) the Executive being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered "willful" unless done or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company.

(ii) A Notice of Termination for Cause shall mean a 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 for a basis for termination for Cause. Further, a Notification for Cause shall be required to

include a copy of a resolution duly adopted by at least two-thirds (2/3rds) of the entire membership of the Board at a meeting of the Board which was called for the purpose of considering such termination and which Executive and his representative had the right to attend and address the Board, finding that, in the good faith of the Board, Executive engaged in conduct set forth in the definition of Cause herein and specifying the particulars thereof in reasonable detail. The date of termination for a termination for Cause shall be the date indicated in the Notice of Termination. Any purported termination for Cause which is held by a court or 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 employment hereunder with or without Good Reason at any time upon written notice to the Company.

(i) A Termination for Good Reason means a termination by Executive by written notice given within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are fully 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: (1) any material diminution of Executive's positions, duties or responsibilities hereunder (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), or, the assignment to Executive of duties or responsibilities that are inconsistent with Executive's then position; provided that if the Company becomes a fifty percent or more subsidiary of any other entity, Executive shall be deemed to have a material diminution of his position unless he is also Senior Vice President and General Counsel, and Secretary to the Board of the ultimate parent entity; (2) removal of, or the non-re-election of, the Executive from officer positions with the Company specified herein or removal of the Executive from any of his then officer positions; (3) requiring Executive's principal place of business to be located other than in the Houston, Texas greater Metropolitan region; (4) a failure by the Company (I) to continue any bonus plan, program or arrangement in which Executive is entitled to participate (the "Bonus Plans"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in the form in effect prior to such modification and (y) if plans providing Executive with substantially similar benefits are not substituted therefor ("Substitute Plans"), or (II) to continue Executive as a participant in the Bonus Plans and Substitute Plans on at least the same basis as to potential amount of the bonus as Executive participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans; (5) any material breach by the Company of any provision of this Agreement, including without limitation Section 10 hereof; or (6) 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.

(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 (i)(1) or (2) the date may be five (5) 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, 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, a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded senior executives and paid at the same time as senior executives are paid, and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements (including those referred to in Sections 4(g)-(i) 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 awarded to Executive and the Restricted Stock Grant 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 options.

(v) As otherwise specifically provided herein.

(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 for the year in which Executive is terminated.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements (including those referred to in Sections 4(g)-(i) 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, Executive shall be fully vested in all stock option awards and the Restricted Stock Grant and Executive shall have up to one (1) year from the date of termination by reason of Total Disability to exercise all such options.

(v) As otherwise specifically provided herein.

(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 Sections 4(g)-(i) hereof) shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) As otherwise specifically provided herein.

Any options, restricted stock or other awards that have not vested prior to the date of such termination of employment shall be cancelled and any options held by Executive shall be cancelled, whether or not then vested.

(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 Sections 4(g)-(i) hereof) shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) As otherwise specifically provided herein.

Any options, restricted stock or other awards that have not vested prior to the date of such termination of employment shall be cancelled and Executive shall have 90 days following termination of employment to exercise any previously vested options (or, if earlier, until the stated expiration thereof).

(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 Sections 4(g)-(i) 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, and also including deferred compensation, disability, automobile, 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 payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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) Except to the extent prohibited by law, and except as otherwise provided herein, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also 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, pro-rated for the fiscal year in which the Executive is terminated.

(vi) As of the date of such termination of employment, the stock options awarded to Executive pursuant to Section 4(e)(i) hereof and the Restricted Stock Grant shall be fully vested. Executive shall continue to vest in all other 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, unless by virtue of the particular stock option award, the option grant expires on an earlier date.

(vii) As otherwise specifically provided herein.

(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 unappealable 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 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 three years.

(ii) 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) 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 Employee'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 resignation from 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 Commencement 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 Commencement 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 equity 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. RESTRICTIVE COVENANTS.

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for two (2) years thereafter, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 3% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly

or indirectly, is materially engaged in the waste management business competitive with that conducted and carried on by the Company, without the Company's specific written consent to do so. "Material" shall mean more than five (5%) percent of their revenue is generated from the waste management business; provided that the revenues within Executive's area of responsibility or authority are more than 10% composed of revenues from the waste disposal business. Notwithstanding the foregoing, Executive may be employed by or provide services to, an investment banking firm, law firm or consulting firm that provides services to entities described in the previous sentence, provided that Executive does not personally represent or provide services to such entities.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of two (2) years after the Termination thereof, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly and personally knowingly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) after his termination of employment, request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iii) after his termination of employment, individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, solicit, entice or induce any then employee of the Company, or any subsidiary of the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Executive, or any person, firm, association or corporation with which Executive is affiliated without prior written consent of the Company. The foregoing shall not prevent Executive from serving as a reference for employees.

(c) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like, to the extent not generally known in the industry (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information, provided that (i) while employed by the Company, Executive may in good faith make disclosures he believes desirable, and (ii) Executive may comply with legal process.

9. ENFORCEMENT OF COVENANTS.

(a) 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 may be inadequate. Therefore, in the event of breach or threatened breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; injunctions, both preliminary and permanent, enjoining or restraining such breach or threatened breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction.

(b) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate 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 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. The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ A. Maurice Myers

Name: A. Maurice Myers
Title: Chairman, Chief Executive Officer and President

Date: January 21, 2000

EXECUTIVE

/s/ Lawrence O'Donnell, III

Lawrence O'Donnell, III

Date: January 21, 2000

Social Security Number: ###-##-####

Address: 221 Bryn Mawr Circle
Houston, Texas 77024

EXHIBIT 10.37

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and WILLIAM L. TRUBECK (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of February 16, 2000 (the "Agreement Date"), as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall commence on March 13, 2000, or sooner at the option of the Executive, and be for a continuously renewing (on a daily basis) five (5) year term, without any further action by either the Company or Executive, unless Executive's employment is terminated in accordance with Section 5 below. The date on which Executive commences employment with the Company shall be referred to as the "Commencement Date" and 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 Senior Vice President and Chief Financial Officer reporting to the Chief Executive Officer of the Company. In such capacities, Executive shall perform such duties and have the power, authority and functions commensurate with such positions in similarly sized public companies and such other authority and functions consistent with such positions as may be assigned to Executive from time to time by the Board of Directors of the Company (the "Board").

(b) Executive shall devote substantially all of his working time, attention and energies to the business of the Company, and 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 consent of the Board (which shall not unreasonably be withheld or delayed) serve on boards of other for profit entities, provided such activities do not materially interfere with the performance of his duties hereunder. Service on the for profit boards that Executive is currently serving on (Bush Brothers & Company, Yellow Corporation and Vision Technologies) are hereby approved.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Period, the Company shall pay Executive a base salary at the annual rate of five hundred thousand ($500,000) dollars 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 sixty percent (60%) of his Base Salary as in effect for such year (the "Target Bonus"), and his actual annual bonus may range from 0% to 120% (two times target), and will be determined based upon achievement of performance goals (seventy percent (70%) financial (return on capital investments and EBITDA) and thirty percent (30%) personal) as approved by the Compensation Committee of the Board. The annual bonus will be paid within 30 days following the Compensation Committee's first meeting following the year end accounting close.

(c) SIGN-ON BONUS. Within thirty (30) days after the Commencement Date, the Company will pay Executive a two hundred thousand ($200,000) dollar sign-on bonus.

(d) FIRST BONUS GUARANTEED. The Company will pay to Executive a minimum guaranteed bonus in the amount of two hundred thousand ($200,000) dollars, to be paid within 30 days following the Compensation Committee's first meeting following the year end accounting close in 2001.

(e) STOCK OPTIONS.

(i) As of the Agreement Date, Executive will be granted a ten-year stock option award under the Company's Stock Incentive Plan to purchase four hundred thousand (400,000) shares of common stock of the Company ("Stock"). The exercise price shall be the fair market value on the Agreement Date, and the options shall vest in equal installments on each of the first four (4) anniversaries of the Agreement Date.

(ii) At the February/March, 2001 meeting of the Compensation Committee of the Board, Executive will, subject to approval by the Compensation Committee, be granted a ten (10) year stock option award under the Company's Stock Incentive Plan to purchase two hundred thousand (200,000) shares of Stock. The exercise price shall be the fair market value on the date the Compensation Committee awards the options, and the options shall vest in equal installments over four (4) years, commencing on the first anniversary of the date of grant. Thereafter, Executive shall participate in the Company's annual stock option award program as administered by, and at the discretion of, the Compensation Committee of the Board.

(f) OTHER COMPENSATION. Executive shall be entitled to participate in the Company's "Executive Deferral Plan" and any incentive or supplemental compensation plan, or arrangement maintained or instituted by the Company, and covering its principal executive officers, at a level commensurate with his positions and to receive additional compensation from the Company in such form, and to such extent, if any, as the Compensation Committee may in its sole discretion from time to time specify.

(g) BENEFIT PLANS AND VACATION. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing 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 its executive officers at a level commensurate with his positions. All waiting periods for welfare and health plans shall be waived, and pre-existing medical conditions for Executive and Executive's family members will not be a basis for withholding medical insurance benefits. 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. The Executive shall also be entitled to such periods of sick leave as is customarily provided by the Company for its senior executive employees. Executive shall be eligible to participate in the Company's 401(k) Plan after 90 days of employment.

(h) OTHER PERQUISITES. Executive shall be entitled to the following benefits:

1. Auto Allowance in the amount of one thousand ($1,000) dollars per month;

2. Financial Planning Services, including tax preparation, at actual cost, and not to exceed fifteen thousand ($15,000) dollars annually;

3. Club Dues and Assessments at actual cost, and not to exceed twelve thousand ($12,000) dollars annually; and

4. An Annual Physical Examination on a program designated by the Company.

(i) 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. In addition the Company shall (i) pay for the reasonable costs, fees and expenses incurred by Executive, his consultants or legal advisors in connection with the negotiation and execution of this Agreement in an amount not to exceed ten thousand ($10,000) dollars and (ii) reimburse Executive (on a fully grossed up basis for any amounts taxable to Executive) for reasonable costs incurred in connection with the relocation of his principal residence to the Houston, Texas area at a level commensurate with Executive's position and the type of relocation benefits provided by public companies of similar size to their executives, which shall in any event include any points on a loan for a new home. In addition, the Company shall provide Executive temporary housing in the Houston area for up to six (6) months.

(j) REPLACEMENT AWARD. In order to address certain forfeitures that Executive will face upon termination of his employment with his prior employer, Executive shall be awarded or receive the following:

Restricted Stock Award. Effective as of the Commencement Date, the Company will grant Executive an award of restricted shares of the Company's common stock (the "Stock") (valued at three hundred, eighty-five thousand ($385,000) dollars on the date of grant) under the Company's Stock Incentive Plan that will vest in equal installments on each of the first four (4)

anniversaries of the Commencement Date, subject (except as otherwise provided herein) to Executive's continuous employment with the Company through the applicable vesting date (the "Restricted Stock Grant"). The Restricted Stock Grant shall be deemed outstanding shares for all purposes and Executive shall be fully vested in any cash dividends paid therein (and non-cash dividends being subject to the same forfeiture provisions as the underlying Restricted Stock Grant shares).

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive has been physically or mentally incapacitated so as to render Executive incapable of performing Executive's material usual and customary duties under this Agreement for six (6) consecutive months (such consecutive absence not being deemed interrupted by Executive's return to service for less than 10 consecutive business days if absent thereafter for the same illness or disability). Any such termination shall be upon thirty (30) days written notice given at any time thereafter while Executive remains Totally Disabled, provided that a termination for Total Disability hereunder shall not be effective if Executive returns to full performance of his duties within such thirty (30) day period.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time within ninety (90) days after the Chairman of the Audit or Governance Committee of the Board has knowledge thereof.

(i) For purposes of this Agreement, the term "Cause" shall be limited to (1) willful misconduct by Executive with regard to the Company which has a material adverse effect on the Company; (2) the willful refusal of Executive to attempt to follow the proper written direction of the Board, provided that the foregoing refusal shall not be "Cause" if Executive in good faith believes that such direction is illegal, unethical or immoral and promptly so notifies the Board; (3) substantial and continuing willful refusal by the Executive to attempt to perform the duties required of him hereunder (other than any such failure resulting from incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which it is believed that the Executive has substantially and continually refused to attempt to perform his duties hereunder; or (4) the Executive being convicted of a felony (other than a felony involving a traffic violation or as a result of vicarious liability). For purposes of this paragraph, no act, or failure to act, on Executive's part shall be considered "willful" unless done

or omitted to be done, by him not in good faith and without reasonable belief that his action or omission was in the best interests of the Company.

(ii) A Notice of Termination for Cause shall mean a 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 for a basis for termination for Cause. Further, a Notification for Cause shall be required to include a copy of a resolution duly adopted by at least two-thirds (2/3rds) of the entire membership of the Board at a meeting of the Board which was called for the purpose of considering such termination and which Executive and his representative had the right to attend and address the Board, finding that, in the good faith of the Board, Executive engaged in conduct set forth in the definition of Cause herein and specifying the particulars thereof in reasonable detail. The date of termination for a termination for Cause shall be the date indicated in the Notice of Termination. Any purported termination for Cause which is held by a court or 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 employment hereunder with or without Good Reason at any time upon written notice to the Company.

(i) A Termination for Good Reason means a termination by Executive by written notice given within ninety (90) days after the occurrence of the Good Reason event, unless such circumstances are fully 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: (1) any material diminution of Executive's positions, duties or responsibilities hereunder (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), the cessation of Executive to report to the Chief Executive Officer of the Company or the assignment to Executive of duties or responsibilities that are inconsistent with Executive's then position; provided that if the Company becomes a fifty percent or more subsidiary of any other entity, Executive shall be deemed to have a material diminution of his position unless he is also Senior Vice President and Chief Financial Officer reporting to the Chief Executive Officer of the ultimate parent entity; (2) removal of, or the non-re-election of, the Executive from officer positions with the Company specified herein or removal of the Executive from any of his then officer positions; (3) requiring Executive's principal place of business to be located other than in the Houston, Texas greater Metropolitan region; (4) a failure by the Company (I) to continue any bonus plan, program or arrangement in which Executive is entitled to participate (the "Bonus Plans"), provided that any such Bonus Plans may be modified at the Company's discretion from time to time but shall be deemed terminated if (x) any such plan does not remain substantially in

the form in effect prior to such modification and (y) if plans providing Executive with substantially similar benefits are not substituted therefor ("Substitute Plans"), or (II) to continue Executive as a participant in the Bonus Plans and Substitute Plans on at least the same basis as to potential amount of the bonus as Executive participated in prior to any change in such plans or awards, in accordance with the Bonus Plans and the Substitute Plans; (5) any material breach by the Company of any provision of this Agreement, including without limitation Section 10 hereof; or (6) 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.

(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 (i)(1) or (2) the date may be five (5) 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, 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, a pro-rata "bonus" or incentive compensation payment to the

extent payments are awarded senior executives and paid at the same time as senior executives are paid, and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements (including those referred to in Sections 4(f)-(h) 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 awarded to Executive 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 options.

(v) As otherwise specifically provided herein.

(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 for the year in which Executive is terminated.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements (including those referred to in Sections 4(f)-(h) 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, Executive shall be fully vested in all stock option awards and Executive shall have up to one

(1) year from the date of termination by reason of Total Disability to exercise all such options.

(v) As otherwise specifically provided herein.

(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 Sections 4(f)-(h) hereof) shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) As otherwise specifically provided herein.

Any options, restricted stock or other awards that have not vested prior to the date of such termination of employment shall be cancelled and any options held by Executive shall be cancelled, whether or not then vested.

(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 Sections 4(f)-(h) hereof) shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) As otherwise specifically provided herein.

Any options, restricted stock or other awards that have not vested prior to the date of such termination of employment shall be cancelled and Executive shall have 90 days following termination of employment to exercise any previously vested options (or, if earlier, until the stated expiration thereof).

(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 Sections 4(f)-(h) 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, and also including deferred compensation, disability, automobile, 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 payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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) Except to the extent prohibited by law, and except as otherwise provided herein, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans in which Executive was a participant as of the date of termination. Executive shall also 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, pro-rated for the fiscal year in which the Executive is terminated.

(vi) As of the date of such termination of employment, the stock options awarded to Executive pursuant to Section 4(e)(i) hereof and the Restricted Stock Grant shall be fully vested. Executive shall continue to vest in all other 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 vested options, unless by virtue of the particular stock option award, the option grant expires on an earlier date.

(vii) As otherwise specifically provided herein.

(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 unappealable 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 entire amount calculated pursuant to Section 6(e)(iii) shall be paid in a lump-sum and (B) the benefit continuation period in Section 6(e)(iv) shall be three years.

(ii) 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) 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 Employee'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 resignation from 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 Commencement 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 Commencement 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 equity 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. RESTRICTIVE COVENANTS.

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for two (2) years thereafter, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 3% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is materially engaged in the waste management business competitive with

that conducted and carried on by the Company, without the Company's specific written consent to do so. "Material" shall mean more than five (5%) percent of their revenue is generated from the waste management business; provided that the revenues within Executive's area of responsibility or authority are more than 10% composed of revenues from the waste disposal business. Notwithstanding the foregoing, Executive may be employed by or provide services to, an investment banking firm, law firm or consulting firm that provides services to entities described in the previous sentence, provided that Executive does not personally represent or provide services to such entities.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of two (2) years after the Termination thereof, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly and personally knowingly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) after his termination of employment, request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iii) after his termination of employment, individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, solicit, entice or induce any then employee of the Company, or any subsidiary of the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Executive, or any person, firm, association or corporation with which Executive is affiliated without prior written consent of the Company. The foregoing shall not prevent Executive from serving as a reference for employees.

(c) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like, to the extent not generally known in the industry (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information, provided that (i) while employed by the Company, Executive may in good faith make disclosures he believes desirable, and (ii) Executive may comply with legal process.

9. ENFORCEMENT OF COVENANTS.

(a) 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 may be inadequate. Therefore, in the event of breach or threatened breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; injunctions, both preliminary and permanent, enjoining or restraining such breach or threatened breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction.

(b) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate 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 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. The Company shall cover the Executive under directors and officers liability insurance both during and, while potential liability exists, after the Employment Term 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: General Counsel

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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ A. Maurice Myers

Name: A. Maurice Myers
Title: Chairman, Chief Executive Officer and President

EXECUTIVE

/s/ William L. Trubeck

William L. Trubeck

Social Security Number:

Address: 3300 Fox Street

Longview, MN 55356

EXHIBIT 10.38

TERM SHEET
TOM SMITH

Position: Senior Vice President, Information Technology ("IT")

Reports to Chief Executive Officer or other Executive Vice President, as designated by CEO.

Base Salary: $300,000 per year; next review to be in first quarter 2001

Incentive Compensation: Target of 50% of base salary, up to maximum of 100% of base salary.

Stock Options: Upon the approval of the Compensation Committee of the Board of Directors, an initial grant of 75,000 options. Eligible for next award in 2001. Stock Options vest in five years (20% increments). Upon termination by reason of retirement, Employee has 36 months to exercise all options vested as of date of termination; otherwise 90 days to exercise all options vested as of the date of termination.

Benefits: Health insurance; 401K after 90 day waiting; Employee Stock Purchase Plan and Executive Deferral Plan

Severance: If terminated by the Company without cause, 3 years base pay and continuation of benefits, including health insurance, stock option vesting over severance period, and 401K participation.

EXHIBIT 10.39

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and ROBERT P. DAMICO (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of December 17, 1998, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of August 1, 1998, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

(a) Executive shall serve as Senior Vice President, Midwest Area. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors, the Chief Executive or Chief Operating Officer of the Company.

(b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. 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.

(c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of Four Hundred Thousand ($400,000) Dollars 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 executives.

(b) 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 executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

(c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives."

(d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. 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 written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the

Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

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

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; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) 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 until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.

(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. Executive shall also be eligible for a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.

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

(iii) 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 until the end of the current Employment Term (three [3] years). 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.

(c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), 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.

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

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, 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.

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

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or 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.

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

(iii) An annual amount equal to the greater of one hundred percent (100%) of Executive's current base salary, or seventy-five percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two (2) highest of the three (3) most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) 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. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

(iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, 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) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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.

(v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options which have vested as a result of this section (e). All options fully vested as of the date of termination will remain exercisable pursuant to the terms of the applicable Stock Option Plan. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.

(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) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have 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, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:

(i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);

(ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;

(iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

(iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

(v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or

(vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), 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.

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

(iii) An amount equal to $1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.

(iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) 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 be eligible for 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 Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

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 resignation from 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.

(c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

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

(i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) As a result of a tender offer, merger, consolidation, sale of assets, or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

8. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within seventy-five (75) miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company; or (v) individually or through any person, firm, association or corporation with which Employee is now or may hereafter become associated, cause, solicit, entice, or induce any present or future employee of the Company, or any corporation affiliated with the Company to leave the employ of the Company, or such other corporation to accept employment with, or compensation from, the Employee or any such person, firm, association or corporation without the prior written consent of the Company.

(c) 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.

(d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

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 and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, 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 of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) 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 (ii) recovery of all reasonable sums 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 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. 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, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive is the prevailing party in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

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

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

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, 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 (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 Colorado applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

17. 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.

18. 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ Rodney R. Proto

Name:

Title:

Date: March 31, 1999

EXECUTIVE

/s/ Robert A. Damico

Address: 103 Falcon Hills Drive

Highlands Ranch, CO 80126

Date: March 22, 1999

EXHIBIT 10.40

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and CHARLES A. WILCOX (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of 2-3-98, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of January 1, 1997, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

(a) Executive shall serve as Regional Vice President, and report to President and Chief Operating Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company, or the Chief Operating Officer of the Company, or the Chief Executive Officer of the Company.

(b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. 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.

(c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of three hundred ten thousand ($310,000) dollars 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 executives.

(b) 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 executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

(c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives."

(d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. 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 written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

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

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; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) 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 until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.

(iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested. Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

(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. Executive shall also be eligible for a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.

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

(iii) 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 until the end of the current Employment Term (three [3] years). 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, Executive shall be fully vested in all stock option awards. Executive shall have up to one (1)

year from the date of termination by reason of total disability to exercise all such options.

(c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), 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.

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

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, 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.

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

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or 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.

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

(iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) 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. For

purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

(iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, 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) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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.

(v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.

(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) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company),

partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have 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, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:

(i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);

(ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;

(iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than

those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

(iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

(v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or

(vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), 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.

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

(iii) An amount equal to $1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.

(iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) 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 be eligible for 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 Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

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 resignation from 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.

(c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

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

(i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the

Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) As a result of a tender offer, merger, consolidation, sale of assets, or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

8. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement (whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less that 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company.

(c) 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.

(d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

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 and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, 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 of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or retraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums 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 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. 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, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive is the prevailing parry in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

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

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

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, 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 (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. 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:

USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive:

At the address for Executive set forth below.

18. 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ [ILLEGIBLE] Date: 2/3/98

Name:

Title:

EXECUTIVE

/s/ CHARLES A. WILCOX Date: 2/3/98

Address: 511 VALHALLA DR.

SEWICKLEY, PA 15143

EXHIBIT 10.41

EMPLOYMENT AGREEMENT

USA WASTE SERVICES, INC. (the "Company"), and DOUGLAS G. SOBEY (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of 5/20/97, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of January 1, 1997, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

(a) Executive shall serve as Regional Vice President, and report to the President/Chief Operating Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company, or the Chief Executive Officer of the Company, or Chief Operating Officer of the Company.

(b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. 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.

(c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of two hundred seventy-five thousand ($275,000.00) dollars 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 executives.

(b) 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 executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

(c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives."

(d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. 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 written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

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

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; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) 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 until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.

(iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested. Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

(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. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to similarly situated executives for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.

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

(iii) 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 until the end of the current Employment Term (three [3] years). 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, Executive shall be fully vested in all stock option awards. Executive shall have up to one (1)

year from the date of termination by reason of total disability to exercise all such options.

(c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), 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.

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

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, 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.

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

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or 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.

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

(iii) An annual amount equal to 75 percent (75%) of the average Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) 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. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

(iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, 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) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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.

(v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.

(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) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have 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, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:

(i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);

(ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;

(iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

(iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

(v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or

(vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), 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.

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

(iii) An amount equal to $1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall

be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.

(iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) 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 be eligible for 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 Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

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 resignation from 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.

(c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code, The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

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

(i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) As a result of a tender offer, merger, consolidation, sale of assets, or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

8. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement (whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less that 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge or otherwise Executive will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company;

(iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company.

(c) 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.

(d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

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 and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, 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 of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or retraining such breach or anticipatory breach and

Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums 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 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. 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, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive is the prevailing party in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

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

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

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, 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 (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. 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:
USA Waste Services, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive: At the address for Executive set forth below

18. 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

USA WASTE SERVICES, INC.

By: /s/ ILLEGIBLE Date: 5/20/97

Name:

Title:

EXECUTIVE

/s/ ILLEGIBLE Date: 9/1/97

Address: P.O. Box 3919, Incline Village

Nevada, NV 89450

EXHIBIT 10.42

AMENDED EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and MILLER J. MATHEWS, JR. (the "Executive") hereby enter into this AMENDED EMPLOYMENT AGREEMENT ("Agreement") dated as of October 1, 1998, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The term of Executive's employment shall conclude on December 31, 2000. Employment after December 31, 2000, shall be of a part-time nature for three (3) years and shall be at the option of the Executive, pursuant to the provisions of Section 6(e) of this Agreement, as amended herein, unless employment is terminated pursuant to one of the provisions contained in Section 5 of this Agreement.

3. DUTIES AND RESPONSIBILITIES.

(a) Executive shall serve as Senior Vice President, and report to President and Chief Operating Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Operating Officer of the Company or the Chief Executive Officer of the Company.

(b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. 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.

(c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of Four Hundred Thousand ($400,000) Dollars 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 executives.

(b) 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 executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

(c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives").

(d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. 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 written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause after December 31, 2000, after providing written notice to Executive.

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; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) 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 until the end of the current Employment Term (i.e., either December 31, 2000, or December 31, 2003). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.

(iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested. Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.

(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. Executive shall also be eligible for a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.

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

(iii) 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 until the end of the current Employment Term (i.e., either December 31, 2000, or December 31, 2003). 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, Executive shall be fully vested in all stock option awards. Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.

(c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), 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.

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

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, 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.

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

(e) TERMINATION OF FULL-TIME STATUS AFTER DECEMBER 31, 2000. In the event that Executive elects to remain employed with the Company subsequent to December 31, 2000, it is agreed that the employment shall be of a part-time nature until December 31, 2003. Executive shall not be required to work more than fifty percent (50%) of the three (3) calendar years (2001, 2002 and 2003), and shall report to the President of the Company or his designee. Provided the Executive is willing to work and remains available to work as directed, the Company will pay to the Executive the following amount(s) for the three (3) year part-time period:

(i) An amount equal to seventy-five percent (75%) of Executive's base pay for the highest year of the preceding three (3) year period (1997, 1998 and 1999).

(ii) The Company will continue at its expense, for Executive and Executive's spouse and dependents, all health-related benefit plans, as more fully described in Section 6(e)(iv) of this Agreement.

(iii) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, 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) three (3) years after the date of termination of full-time status; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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.

(iv) If Executive is unavailable to work as described herein at Section 6(e) above for a sixty (60) day period, the Company will provide written notice of its intent to terminate the Agreement. The Executive will be given thirty (30) days to respond and to correct the situation. If the issue remains unresolved, the Company may elect to terminate the Agreement and will pay Executive through the end of the thirty (30) day response period, as described herein.

(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) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have 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, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to December 31, 2000, or at any time prior to the six (6) month anniversary of the date of the Change in Control, whichever date occurs earlier, following the occurrence of any of the following events:

(i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);

(ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;

(iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

(iv) the failure of the Company to provide Executive with an appropriate adjustment to compensation such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance to the Executive's take home pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;

(v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or

(vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), 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.

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

(iii) An amount equal to $1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.

(iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) 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 be eligible for 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 Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

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 resignation from 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.

(c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up

Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax maters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

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

(i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) As a result of a tender offer, merger, consolidation, sale of assets, or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

8. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2)

years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; or (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company.

(c) 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.

(d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

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 and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, 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 of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or retraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums 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 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. 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, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive is the prevailing party in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

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

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

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, 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 (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 Georgia applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

17. 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.

18. 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ Rodney R. Proto Date:

Name:

Title:

EXECUTIVE

/s/ Miller J. Mathews, Jr. Date: October 1, 1998

Address: 566 Gramercy Drive

Marietta, GA 30068

EXHIBIT 10.43

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and DAVID R. HOPKINS (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of January 1, 1999, as follows:

1. EMPLOYMENT.

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.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of January 1, 1999, and shall be for continuously renewing three (3) year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

(a) Executive shall serve as Sr. Vice President, and report to the Chief Executive Officer. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Executive Officer of the Company.

(b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. 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.

(c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of Two Hundred Seventy-Five Thousand ($275,000) Dollars 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 executives.

(b) 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 executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

(c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to executives working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives".

(d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated 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 "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. 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 written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

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

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; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded to similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) 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 until the end of the current Employment Term (three [3] years). Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.

(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. Executive shall also be eligible for a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.

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

(iii) 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 until the end of the current Employment Term (three [3] years). 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.

(c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), 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.

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

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, 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.

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

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or 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.

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

(iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the three (3) 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. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

(iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, 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) three (3) years after the date of termination; (B) Executive's death (provided that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company 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.

(v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. Executive shall have one (1) year from the date of termination to exercise stock options. Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated, paid at the same time as similarly situated executives are paid.

(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) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the

Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have 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, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated (both a "resignation" and "termination" being referred to as "termination" for the purposes of this Section 7) from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:

(i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);

(ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;

(iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;

(iv) the change of Executive's principal place of employment to a location more than fifty (50) miles from such principal place of employment, except for required travel on the

Company's business to an extent substantially consistent with Executive's business travel obligations immediately before a Change in Control;

(v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or

(vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), 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.

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

(iii) An amount equal to $1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's termination.

(iv) Executive will be 100% vested in all benefits, awards, and grants (including stock options) 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 be eligible for 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 Employee's termination. Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.

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 resignation from 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.

(c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

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

(i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii) As a result of a tender offer, merger, consolidation, sale of assets, or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

8. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made

to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.

(b) NON-SOLICITATION. Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company; or (v) individually of through any person, firm, association or corporation with which Employee is now or may hereafter become associated, cause, solicit, entice, or induce any present or future employee of the Company, or any corporation affiliated with the Company to leave the employ of the Company, or such other corporation to accept employment with, or compensation from, the Employee or any such person, firm, association or corporation without the prior written consent of the Company.

(c) 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.

(d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

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 and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, 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 of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) 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 (ii) recovery of all reasonable sums 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 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. 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, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive is the prevailing party in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

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

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

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, 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 (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. 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.

18. 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ Susan J. Piller

Name: Susan J. Piller

Title: Senior Vice President

Date: August 9, 1999

EXECUTIVE

/s/ David R. Hopkins

David R. Hopkins
Address: 1512-B Nantucket Drive
Houston, TX 77057
Date: August 9, 1999

EXHIBIT 10.44

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC., for and on behalf of its affiliated corporations (collectively referred to as the "Company") and ROBERT G. SIMPSON (the "Employee") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of October 15, 1998, as follows:

1. EMPLOYMENT.

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

2. TERM OF EMPLOYMENT.

The period of Employee's employment under this Agreement shall begin as of November 17, 1998, and shall continue for a period of three (3) years thereafter (the "Initial Term") and shall be automatically renewed for successive one (1) year periods thereafter, unless Employee's employment is terminated in accordance with Section 6 below.

3. DUTIES AND RESPONSIBILITIES.

(a) Employee shall serve as Vice President, Taxation. In such capacity, Employee shall perform such duties as may be assigned to Employee from time to time by the Company.

(b) Employee shall faithfully serve the Company and/or its affiliated corporations, devote Employee's full working time, attention and energies to the business of the Company and/or its affiliated corporations, and perform the duties under this Agreement to the best of Employee's abilities.

(c) Employee shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company, except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

(a) BASE SALARY. During the Employment Term, the Company shall pay Employee a base salary at the annual rate of Two Hundred Fifty Thousand ($250,000) Dollars 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 employees.

(b) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Employee for the ordinary and necessary business expenses incurred by Employee

in the performance of Employee's duties hereunder in accordance with the Company's customary practices applicable to employees, provided that such expenses are incurred and accounted for in accordance with the Company's policy.

(c) BENEFIT PLANS. Employee shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other benefit plan or arrangement generally made available by the Company to employees of similar status and responsibilities (hereinafter referred to as "similarly situated employees").

(d) INCENTIVE/BONUS. Employee shall be eligible for a bonus or incentive compensation payment ("bonus") of up to fifty (50%) percent of Employee's base pay. Qualification for the bonus shall be pursuant to the applicable Bonus Plan in effect for the year in which the bonus is earned. Employee is guaranteed a 1998 bonus in the amount of Fifty Thousand ($50,000) Dollars, to be paid at the same time as other corporate office bonuses are paid (in 1999, following the release of earning for the 1998 calendar year).

(e) STOCK OPTIONS. Employee shall be awarded fifty thousand (50,000) Waste Management stock options, subject to the approval of the Compensation Committee of the Board of Directors. The award, vesting and exercise of all options shall be subject to the provisions of the Waste Management, Inc., 1993 Stock Incentive Plan.

5. TERMINATION OF EMPLOYMENT.

Employee's employment hereunder may be terminated under the following circumstances:

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

(b) TOTAL DISABILITY. The Company may terminate Employee's employment hereunder upon Employee's becoming "Totally Disabled". For purposes of this Agreement, Employee shall be "Totally Disabled" if Employee is physically or mentally incapacitated so as to render Employee incapable of performing Employee's usual and customary duties under this Agreement. Employee'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 Employee's receipt of such long-term disability benefits or Social Security benefits, the Company may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Employee is Totally Disabled.

(c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Employee's employment hereunder for "Cause" at any time after providing written notice to Employee.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by the Company after giving Employee a reasonable opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EMPLOYEE. Employee may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company.

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

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

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

(a) TERMINATION BY REASON OF DEATH. In the event that Employee's employment is terminated by reason of Employee's death, the Company shall pay the following amounts to Employee'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, and any vacation accrued to the date of death.

(ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) 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 Employee's death) which would have been payable to Employee if Employee had continued in employment until the end of the 12-month period beginning on the date of Employee's death. Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Employee's death.

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

(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. Employee shall also be entitled to a bonus or incentive compensation payment to the extent such awards are made to similarly situated executives, pro-rated for the year in which Executive is terminated and paid at the same time as similarly situated executives are paid.

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

(iii) An amount equal to

(A) the Base Salary (at the rate in effect as of the date of Employee's Total Disability) which would have been payable to Employee if Employee had continued in active employment until the end of the 12-month period beginning on the date of Employee's termination; reduced by

(B) the maximum annual amount of the long term disability benefits payable to Employee under the Company's long-term disability plan as determined prior to the reduction of such benefits under the terms of the plan for other disability income.

Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period.

(c) TERMINATION FOR CAUSE OR VOLUNTARY TERMINATION BY EMPLOYEE. In the event that Employee's employment is terminated by the Company for Cause pursuant to Section 5(c), or Employee terminates employment pursuant to Section 5(d), the Company shall pay the following amounts to Employee:

(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.

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

(d) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Employee's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Employee:

(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.

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

(iii) The Base Salary (at the rate in effect as of the date of Employee's termination) which would have been payable to Employee if Employee had continued in active employment until the later of: (A) the period ending on the last day of the Initial Term; or (B) the end of the 12-month period beginning on the date of Employee's termination. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period. The Employee shall also be eligible for a bonus or incentive compensation payment, to the extent bonuses are paid to similarly situated employees, pro-rated for the year in which the Employee is terminated, and paid at the same time as similarly situated employees are paid.

(iv) The Company, completely at its expense, will continue for Employee and Employee's spouse and dependents, group health plans, programs or arrangements, in which Employee was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earlier of: (A) last day of period during which Employee receives payment in

accordance with clause (iii) above; (B) Employee's death (provided that benefits payable to Employee's beneficiaries shall not terminate upon Employee's death); or (C) with respect to any particular plan, program or arrangement, the date Employee becomes covered by a comparable benefit provided by a subsequent employer.

(e) 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 Employee at the time of Employee's termination or resignation of employment, Employee 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.

(f) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Employee has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Employee's employment hereunder or during any of the twelve calendar months preceding or following the termination of Employee's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Employee.

7. RESTRICTIVE COVENANTS

(a) COMPETITIVE ACTIVITY. Employee covenants and agrees that at all times during Employee's period of employment with the Company, and while Employee is receiving payments pursuant to Section 6 of this Agreement, Employee will not,

directly or indirectly, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Furthermore, for a period of one (1) year after the date of termination of Employee's employment, whether such termination is voluntary or involuntary, by wrongful discharge, or otherwise, or one (1) year following the cessation of payments made pursuant to Section 6 of this Agreement, or for a period of one (1) year following the date of termination, whichever date is later, Employee will not directly or indirectly, within 75 miles of the principal place of business of the Company, the principal place of business of any corporation or other entity owned, controlled by (or otherwise affiliated with) the Company by which Employee may also be employed or served by Employee, or any other geographic location in which Employee has specifically represented the interests of the Company or such other affiliated entity, during the twelve (12) months prior to the termination of Employee's employment, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so.

(b) NON-SOLICITATION. Employee covenants and agrees that at all times during Employee's period of employment with the Company, and for a period of one (1) year after the date of termination of Employee's employment, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, or the date of the cessation of payments made to the Employee pursuant to Section 6 of this Agreement, whichever date is later. Employee will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company; or (v) individually of through any person, firm, association or corporation with which Employee is now or may hereafter become associated, cause, solicit, entice, or induce any present or future employee of the Company, or any corporation affiliated with the Company to leave the employ of the Company, or such other corporation to accept employment with, or compensation from, the Employee or any such person, firm, association or corporation without the prior written consent of the Company.

(c) NON-DISPARAGEMENT. Employee covenants and agrees that Employee 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.

(d) PROTECTED INFORMATION. Employee recognizes and acknowledges that Employee has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company, of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Employee therefore covenants and agrees that Employee will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

8. ENFORCEMENT OF COVENANTS.

(a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Employee agrees that any breach by Employee of any of the covenants set forth in Section 7 hereof during Employee's employment by the Company, shall be grounds for immediate dismissal of Employee and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Employee as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Employee.

(b) RIGHT TO INJUNCTION. Employee acknowledges that a breach of the covenants set forth in Section 7 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 of anticipatory breach of the covenants set forth in this section by Employee, Employee and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or retraining such breach or anticipatory breach and Employee hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums

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 7 hereof constitute a series of separate 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 7 exceed the time, geographic, or occupational limitations permitted by applicable laws, Employee 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. Employee and the Company further agree that the covenants in Section 7 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 Employee 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 7.

9. WITHHOLDING OF TAXES.

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

10. NON-DISCLOSURE OF AGREEMENT TERMS.

Employee agrees that Employee will not disclose the terms of this Agreement to any third party other than Employee's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

11. 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. Employee 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.

12. 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 Employee.

13. ENTIRE AGREEMENT; AMENDMENT.

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

14. 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.

15. 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 Employee: At the address for Employee set forth below.

16. 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 8 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, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ Earl E. DeFrates
Name: Earl E. DeFrates
Title: Executive Vice President & CFO
Date: October 15, 1998

EMPLOYEE

/s/ Robert G. Simpson
Date: October 15, 1998
Address: 5627 Palisade Falls Trail
Kingwood, TX 77345

EXHIBIT 10.49

WASTE MANAGEMENT, INC.

2000 BROAD-BASED EMPLOYEE PLAN

FEBRUARY 28, 2000

TABLE OF CONTENTS

WASTE MANAGEMENT, INC.

2000 BROAD-BASED EMPLOYEE PLAN

ARTICLE I. GENERAL

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

Section 1.2. Administration.

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

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

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

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

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

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

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

Section 1.3. Eligibility for Participation. Participants in the Plan ("Participants") shall be selected by the Committee from the employees of and consultants to the Company who are responsible for or contribute to the management, growth, success and profitability of the Company and who are not officers of the Company. In making this selection and in determining the form and amount of Awards, the Committee shall consider any factors deemed relevant, including the individual's functions, responsibilities, value of services to the Company, and past and potential contributions to the Company's profitability and growth.

Section 1.4. Types of Awards Under Plan. Awards under the Plan may be in the form of any one or more of the following:

(i) Stock Options, as described in Article II;

(ii) Incentive Stock Options, as described in Article III;

(iii) Reload Options, as described in Article IV;

(iv) Alternate Appreciation Rights, as described in Article V;

(v) Limited Rights, as described in Article VI;

(vi) Substitution Awards, as described in Article VII; and/or

(vii) Stock Bonus Awards, as described in Article VIII.

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

Section 1.5. Aggregate Limitation on Awards.

(a) Shares of stock which may be issued under the Plan shall be authorized and unissued or treasury shares of Common Stock $.01 par value, of the Company ("Common Stock"). Subject to the further provisions of this Section 1.5 and Section 9.10, the maximum number of shares of Common Stock which may be issued under the Plan shall be 3,000,000.

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

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

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

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

provided, however, in all events the maximum number of shares of Common Stock that may be issued pursuant to Incentive Stock Options is 3,000,000.

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

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

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

Section 1.6. Effective Date and Term of Plan.

(a) The Plan shall become effective on the date it is approved by the Board of Directors of the Company.

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

ARTICLE II. STOCK OPTIONS

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

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

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

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

Section 2.5. Manner of Payment. Each Award Agreement providing for Stock Options shall set forth the procedure governing the exercise of the Stock Option granted thereunder, and shall provide that, upon such exercise in respect of any shares of

Common Stock subject thereto, the Optionee shall pay to the Company, in full, the Option Price for such shares with cash, which may be pursuant to a "cashless-broker" exercise pursuant to procedures established by the Committee from time to time, or with previously owned Common Stock, or at the discretion of the Committee, in whole or in part with, the surrender of another Award under the Plan, the withholding of shares of Common Stock issuable upon exercise of such Stock Option, other property, or any combination thereof (each based on the Fair Market Value of such Common Stock, Award or other property on the date the Stock Option is exercised as determined by the Committee).

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

Section 2.7. Death, Retirement and Termination of Employment of Optionee. Unless otherwise provided in an Award Agreement or otherwise agreed to by the Committee:

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

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

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

Section 2.8. Tax Election. Recipients of Stock Options who are directors or executive officers of the Company or who own more than 10% of the Common Stock of the Company ("Section 16(a) Option Holders") at the time of exercise of a Stock Option may elect, in lieu of paying to the Company an amount required to be withheld under

applicable tax laws in connection with the exercise of a Stock Option in whole or in part, to have the Company withhold shares of Common Stock having a fair market value equal to the amount required to be withheld. Such election may not be made prior to six months following the grant of the Stock Option, except in the event of a Section 16(a) Option Holders's death or disability. The election may be made at the time the Stock Option is exercised by notifying the Company of the election, specifying the amount of such withholding and the date on which the number of shares to be withheld is to be determined ("Tax Date"), which shall be either (i) the date the Stock Option is exercised or (ii) a date six months after the Stock Option was granted, if later. The number of shares of Common Stock to be withheld to satisfy the tax obligation shall be the amount of such tax liability divided by the fair market value of the Common Stock on the Tax Date (or if not a business day, on the next closest business day). If the Tax Date is not the exercise date, the Company may issue the full number of shares of Common Stock to which the Section 16(a) Option Holders is entitled, and such option holder shall be obligated to tender to the Company on the Tax Date a number of such shares necessary to satisfy the withholding obligation. Certificates representing such shares of Common Stock shall bear a legend describing such Section 16(a) Option Holders obligation hereunder.

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

ARTICLE III. INCENTIVE STOCK OPTIONS

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

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

Section 3.3. Incentive Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of an Incentive Stock Option shall be at

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

Section 3.4. Term and Exercise. Each Incentive Stock Option shall not be exercisable prior to six months from the date of its grant unless a shorter period is provided by the Committee or another Section of this Plan, and may be exercised during the period established by the Committee, but not after ten years from the date of grant thereof (the "Option Term"). No Incentive Stock Option shall be exercisable after the expiration of its Option Term.

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

Section 3.6. Death of Optionee. Unless otherwise provided in an Award Agreement:

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

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

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

permanent disability or (ii) three months after the date of termination of employment due to retirement.

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

Section 3.9. Applicability of Stock Options Sections. Sections 2.5, Manner of Payment; 2.6, Delivery of Shares; 2.8, Tax Elections and 2.9, Effect of Exercise, applicable to Stock Options, shall apply equally to Incentive Stock Options. Such Sections are incorporated by reference in this Article III as though fully set forth herein.

ARTICLE IV. RELOAD OPTIONS

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

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

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

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

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

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

ARTICLE V. ALTERNATE APPRECIATION RIGHTS

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

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

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

Section 5.4. Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Alternate Appreciation Right shall be equal to

100% of the amount, if any, by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Option Price per share on the Option related to such Alternate Appreciation Right. A Section 16(a) Option Holder may elect to withhold shares of Common Stock issued under this Section to pay taxes as described in Section 2.8.

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

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

Section 5.7. Termination of Employment, Retirement, Death or Disability. Unless otherwise provided in an Award Agreement or agreed to by the Committee:

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

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

ARTICLE VI. LIMITED RIGHTS

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

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

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

Section 6.4. Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Limited Right shall be equal to 100% of the amount, if any, which is equal to the difference between the Option Price per share of Common Stock covered by the related Option and the Market Price of a share of such Common Stock. "Market Price" is defined to be the greater of (i) the highest price per share of the Company's Common Stock paid in connection with any Change in Control and (ii) the highest price per share of the Company's Common Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the New York Stock Exchange - Composite Transactions) during the 60-day period prior to the Change in Control.

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

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

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

Section 6.8. Death of Optionee or Termination for Other Reasons. Except as provided in Sections 6.7 and 6.9, or except as otherwise determined by the Committee, all

Limited Rights granted under the Plan shall terminate upon the termination of the Optionee's employment, consulting or upon the death of the Optionee.

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

ARTICLE VII. SUBSTITUTION AWARDS

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

ARTICLE VIII. BONUS STOCK AWARDS

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

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

ARTICLE IX. MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 9.10. Adjustments. In any event of any change in the outstanding Common Stock by reason of a stock dividend or distributions, recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like, the Committee may

appropriately adjust the number of shares of Common Stock that may be issued under the Plan, the number of shares of Common Stock subject to Options theretofore granted under the Plan, and any and all other matters deemed appropriate by the Committee.

Section 9.11. Changes in the Company's Capital Structure.

(a) The existence of outstanding Options, Alternative Appreciation Rights, or Limited Rights shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

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

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

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

(i) If the successor entity is willing to assume the obligation to deliver shares of stock or securities after the effective date of the merger, consolidation or sale of assets, as the case may be, each holder of an outstanding Option shall be entitled to receive, upon the exercise of such Option and payment of the Option Price, in lieu of shares of Common Stock, such shares of stock or other securities as the holder of such Option would have been entitled to receive had such Option been exercised immediately prior to the consummation of such merger, consolidation or sale, and any related Alternate Appreciation Right and Limited Right associated with such Option shall apply as nearly as practicable to the shares of stock or other securities purchasable upon exercise of the Option following such merger, consolidation or sale of assets.

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

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

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

Section 9.12. Change in Control. Any Award granted under the Plan prior to the date of a Change in Control shall be immediately exercisable in full on such date, without regard to any times of exercise established under its Award Agreement; provided,

however, in no event shall Stock Options or Incentive Stock Options be exerciseable after the tenth anniversary of their respective grant dates.

Section 9.13. Amendment of the Plan.

(a) The Committee may without further action by the shareholders and without receiving further consideration from the Participants, amend this Plan or condition or modify Awards under this Plan in response to changes in securities or other laws or rules, regulations or regulatory interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements.

(b) The Committee may at any time and from time to time terminate or modify or amend the Plan in any respect. The termination or any modification or amendment of the Plan, except as provided in subsection (a), shall not, without the consent of a Participant, affect his or her rights under an Award previously granted to him or her.

Section 9.14. Effective Date. The Plan shall become effective as of February 29, 2000.

EXHIBIT 12.1

Waste Management, Inc.

Computation of Ratio Earnings to Fixed Charges
(In Thousands, Except Ratios)
(Unaudited)

	Years Ended December 31,		
	1999	1998	1997
Income (loss) from continuing operations before income taxes, undistributed earnings from affiliated companies, and minority interest	$(138,551)	$(678,919)	$(609,024)
Fixed charges deducted from income:			
Interest expense	769,655	681,457	555,576
Implicit interest in rents	75,219	79,108	58,869
	844,874	760,565	614,445
Earnings available for fixed charges	$ 706,323	$ 81,646	$ 5,421
Interest expense	$ 769,655	$ 681,457	$ 555,576
Capitalized interest	34,284	41,501	51,376
Implicit interest in rents	75,218	79,108	58,869
Total fixed charges	$ 879,157	$ 802,066	$ 665,821
Ratio of earnings to fixed charges	n/a(1)	n/a(2)	n/a(3)

- ---

(1) The ratio of earnings to fixed charges for 1999 was less than a one-to-one ratio. Additional earnings available for fixed charges of $172.8 million were needed to have a one-to-one ratio. The earnings available for fixed charges were negatively impacted by merger cost of $44.6 million primarily related to the merger between Waste Management, Inc. and Waste Management Holdings, Inc. during July 1998 and asset impairments and unusual items of $738.8 million (see Note 15 to the financial statements).

(2) The ratio of earnings to fixed charges for 1998 was less than a one-to-one ratio. Additional earnings available for fixed charges of $720.4 million were needed to have a one-to-one ratio. The earnings available for fixed charges were negatively impacted by merger cost of $1.8 billion and unusual items of $864.1 million related primarily to the mergers between Waste Management, Inc. and Waste Management Holdings, Inc. during July 1998, and Waste Management, Inc. and Eastern Environmental Services, Inc. during December 1998.

(3) The ratio of earnings to fixed charges for 1997 was less than a one-to-one ratio. Additional earnings available for fixed charges of $660.4 million were needed to have a one-to-one ratio. The earnings available for fixed charges were negatively impacted by merger costs of $112.7 million (primarily related to the United Waste Systems, Inc. merger in August 1997), and asset impairments and unusual items of $1.8 billion. The asset impairment and unusual items of $1.8 billion primarily related to a comprehensive review performed by Waste Management Holdings, Inc. of its operating assets and investments.

EXHIBIT 21.1

WASTE MANAGEMENT, INC. SUBSIDIARIES

3368084 Canada Inc.

635952 Ontario Inc.

709292 Alberta Ltd.

730810 Alberta Ltd.

740922 Alberta Ltd.

762570 Alberta Ltd.

A. Smith & Sons (Waste Disposal) Ltd.

A.C.T.S. B.V.

A.S.P.I.C.A. S.r.1.

A-1 Compaction, Inc.
Dba United Waste Systems of West Michigan

Acaverde S.A. de C.V.

Acaverde Servicios, S.A. de C.V.

Action Portables, Inc.

Advanced Environmental Technical Services L.L.C.

Advanced Environmental Technical Services, Inc.

Afvalstoffen Terminal Moerdijk B.V.

Ahren's Container Service, Inc.

Akron Regional Landfill, Inc.

Allens United Septic Tank Services (Manawtu) Ltd

Allens United Septic Tank Services (Whangarei) Ltd.

Alliance Sanitary Landfill, Inc.

All-Waste Recycling, Inc.

All-Waste Systems, Inc.

American Canyon Disposal Service, Inc.

American Landfill Gas Co.

American Landfill, Inc.

American Waste Control of New York, Inc.

Anchorage Refuse, Inc.

Andersen, Incorporated

Anderson Landfill, Inc.

Anderson-Cottonwood Disposal Services, Inc.

APEX Waste Services, Inc.

Arden Landfill, Inc.

Arklin Brothers Enterprises

Arrow Refuse, Inc.

Aseo S.A.

Ashira

Atascadero Waste Alternatives, Inc.

Atlantic Waste Disposal, Inc.

ATM Entsorgung GmbH

Automated Recycling Technologies, Inc.

Automated Salvage Transport, Inc.

Auxiwaste Services SA

Avenal Waste Alternatives, Inc.

AW Bryant Ltd.

AW Disposal, Inc.

Azusa Land Reclamation Company, Inc.

B&B Landfill, Inc.

B&E Cartage, Inc.

B&L Disposal Co.

B. Holmes (Graded Paper) Ltd.

B.J.:s Tankrengoring AB

Bad Bins Ltd.

Baltimore Environmental Recovery Group, Inc.

Baltimore Refuse Energy Systems Company, Limited Partnership

Bargningsjouren I Soderhamn AB

Bayside of Marion, Inc.

Bentofix Technologies (CANADA), Inc.

Bentofix Technologies (USA), Inc.

Besco Bins Limited

Best Recycling and Disposal, Inc.

Bestan Inc.

BFI (NZ) Limited

BFI Waste Care Ltd

Big Valley Transport, Inc.

Bio Gro Corporation

Bisig Disposal Services, Inc.

Block Disposal, Inc.

Bluegrass Containment, L.L.C.

Bolton Road Landfill, Inc.

Boone Waste Industries, Inc.

Boothscreek Sanitation, Inc.

Bos Container BV

Bosarge & Edmonds Contractors, Inc.
Dba Robo

Boudin's Waste & Recycling, Inc.

Braddon Enterprises, Inc.

Brazoria County Recycling Center, Inc.
BCRC
Brazoria County Recycling Center
USA Brazoria County Landfill
WRS Transfer Station

Brem-Air Disposal, Inc.

Bridgeport Resco Company L.P.

Britannia Crest Recycling Ltd.

Briteway Limited

Broderna Hedblom AB

Browning Ferris Industries (Superannuations) Pty Ltd Budget Bins Ltd Builders

Bins Pty Ltd Burnsville Sanitary Landfill, Inc.

Buy-In, Inc.

BV Van Vliet Groep Milieundienstverleners

C&L Disposal Company, Inc.

C.D.M. Sanitation, Inc.

C.I.D. Landfill, Inc.

C.I.D. MRRF, Inc.

C.I.D. Refuse Service, Inc.

Caire's CKC Enterprises, Inc.

Cal Sanitation Services, Inc.

Cal Sierra Disposal, Inc.

Cal Sierra Transfer, Inc.

California Asbestos Monofill, Inc.
CAM

California Waste Recycling, Inc.

Campbell Wells Norm Corporation

Canadian Waste Services Holdings, Inc.

Canadian Waste Services, Inc.

Canterbury Waste Services Ltd.

Capital Sanitation Company

Capitol City Disposal, Inc.

Capitol Disposal, Inc.

Caramella-Ballardini, Ltd.

Cardinal Ridge Development, Inc.

Carmel Marina Corporation

Carolina Grading, Inc.

Carver Transfer & Processing, L.L.C.

Cedar Hammock Refuse Disposal Corporation
Waste Management of Manatee County
Waste Management of Sarasota County

Cedar Ridge Landfill, Inc.

Central Disposal Systems, Inc.

Central Missouri Landfill, Inc.

Central Valley Waste Services, Inc.

Ceriani Cave Srl

Chadwick Road Landfill, Inc.
Dba Chadwick Road Landfill

Chambers Clearview Environmental Landfill, Inc.

Chambers Development Company, Inc.
Monroeville Landfill
North Huntington Hauling

Chambers Development of Ohio, Inc.

Chambers of Mississippi, Inc.

Chambers of West Virginia, Inc.

Chambers Services, Inc.

Charlotte Landscaping & Sanitation, Inc.

Chastang Landfill, Inc.

Chemical Waste Management de Mexico, S.A. de C.V.

Chemical Waste Management Ltd.

Chemical Waste Management of Indiana, L.L.C.

Chemical Waste Management of the Northwest, Inc.

Chemical Waste Management, Inc.
Trade Waste Incineration

Chem-Nuclear of Canada, Inc.

Chem-Nuclear Systems, LLC

Chesser Island Road Landfill, Inc.

Chicago Suppliers, Inc.

Chiquita Canyon Landfill, Inc.

Chuck's Portable Services, Inc.

City Disposal Systems, Inc.
City Disposal Systems Corporation, Inc.

City Environmental Services Landfill, Inc. of Florida

City Environmental Services Landfill, Inc. of Hastings
City Environmental Services of West Michigan
City Express
Hastings Sanitary Service
Lubbers Resource Systems

City Environmental Services Landfill, Inc. of Lapeer
Pioneer Rock Landfill

City Environmental Services Landfill, Inc. of Panama City

City Environmental Services Landfill, Inc. of Saginaw
Saginaw Valley Landfill

City Environmental Services, Inc. of Mid-Michigan
CES-Saginaw
CES- West Branch
City Express

City Environmental Services, Inc. of Waters

City Management Corporation
Adam Refuse
Brent Run
CES - Montrose
City Disposal System
City Environment
City Environmental Contracting
City Environmental

City Environmental Services East
City Environmental Services of Montrose
City Environmental Services of Joilet
City Equipment Company
City Express
City Liquid Treatment and Processing
City Municipal Services
City Recycling Center City Sand & Landfill
City Waste Systems
D&J Refuse Company
G&G Disposal
Gary's Disposal
J.L. Smith Refuse Service
M&M Contracting of Michigan
M&M Holding Company, Inc.
Metro Waste Systems
Michigan City Management Corporation
Moore's Disposal
People's Garbage
People's Garbage Disposal
People's Garbage Disposal of Midland/Gladwin
Pollard Disposal
Premier Steel
Raska Disposal
Seymour Road Demolition
Seymour Road Landfill
Soave-Volpe Hauling
Trashbusters Transfer Station, Ltd.
United Machinery Movers and Erectors
Universal Waste & Transit
Whitefeather Development Company

Clarfield Recycling Ltd.

Clayton-Ward Company, Inc.

CleanSoils of Fairless Hills, Inc.

Cleburne Landfill Company Corp.

Cleburne Landfill Corporation

Clements Waste Services, Inc.

Cloverdale Disposal, Inc.

CNS Holdings, Inc.

CNSI Sub, Inc.

Coast Waste Management, Inc.

Cocopah Landfill, Inc.

Colorado Landfill, Inc.

Columbia County Drop Off Box, Inc.
Forest Grove Disposal Service
AC Trucking

Columbia County Recycling & Garbage Services, Inc.

Columbia Geosystems Ltd.

Columbia Nehalem Sanitary Service, Inc.

Colusa Solid Waste & Recycling, Inc.

Connecticut Valley Sanitary Waste Disposal, Inc.

Conservation Services, Inc.

Container Recycling Alliance, L.P.

Contractor Container Corporation

Copper Mountain Landfill, Inc.

Corning Disposal Service, Inc.

Coshocton Landfill, Inc.

Cougar Landfill, Inc.

Countryside Landfill, Inc.

County-Wide Disposal, Inc.

Credi Control I Sandviken AB

CWM Chemical Services, L.L.C.

CWM Resource Recovery, Inc.

Dafters Sanitary Landfill, Inc.

Dakota Landfill, Inc.

Dakota Resource Recovery, Inc.
United Waste Transfer

Dauphin Meadows Landfill, Inc.

Decker Disposal, Inc.

Deep Valley Landfill, Inc.

Deer Track Park Landfill, Inc.
Advance Service Corp.

DeLand Landfill, Inc.

Delaware Recyclable Products, Inc.

Dickinson Landfill, Inc.

Disposal Service, Inc.

Disposal Services, Inc.
Disposal Services Medical Waste

Diversified Scientific Services, Inc.

Dollar Trucking, Inc.

Donno Company, Inc.

Drake's Sanitation, Inc.

Duluth Waste Marketing, Inc.

Durachem Limited Partnership

Eager Beaver Sanitary Service, Inc.

Eagle River Refuse, Inc.

Earthcorp, L.L.C.

Earthmovers Landfill, L.L.C.

East Liverpool Landfill, Inc.

Eastern Development Services, Inc.

Eastern Disposal of Georgia, Inc.

Eastern Environmental Services of Florida, Inc.

Eastern Environmental Services of the Northeast, Inc.

Eastern Transfer of New York, Inc.

Eastern Waste of New York, Inc.

Eastern Waste of West Virginia, Inc.

EC Waste, Inc.

Ecoadda Srl

Ecol S.A.

Econergy Moerdijk BV

Ecopi Srl

Ecoserve Limited

Ecovision B.V.

Eksjo Rehallning AB

El Coqui de San Juan

El Coqui Landfill Company, Inc.

El Coqui Waste Disposal, Inc.

El Dorado Disposal Service, Inc.

Elk River Landfill, Inc.

EMICA S.r.1.

Englewood Disposal Company, Inc.

Envirofil of Illinois, Inc.

Envirofil, Inc.

Enviroland, Incorporated

Environmental Control, Inc.

Environmental Technologies China Limited

Enviropace Limited

Equipment Credit Corporation

ESG Entsorgungswirtschaft Soest GmbH

Evergreen Landfill, Inc.

Evergreen Recycling & Disposal Facility, Inc.

F.L.I. International Ltd.

Fall River Recycling Company, Inc.

Farmer's Landfill, Inc.

Feather River Disposal, Inc.

Fernley Disposal, Inc.
Churchill County Refuse Service
Fernley Sanitation

FFF, Inc.

Fibre Fuel Limited

First Waste Ltd. (Guernsey)

Freeth & Brocks Bins Ltd.

Front Range Landfill, Inc.
Best Trash
City Disposal
ERD Landfill
Franklin Street Transfer

Frontier Environmental, Inc.

Future-Tech Environmental Services, Inc.

G.C. Environmental, Inc.

G.I. Industries, Inc.

GA Landfills, Inc.

Gallia Landfill, Inc.

Garnet of Maryland, Inc.

Gastriklands Atervinnings AB

General Rubbish Collection

General Sanitation Corporation

Geolining Abdichtungstechnik GmbH

Georgia Waste Systems, Inc.
- B.J. Recycling and Disposal Facility
- Chapman Waste Disposal
- Rolling Hills Recycling and Disposal Facility
- Waste Management of Augusta- Aiken
- Waste Management of Atlanta
- Waste Management of Macon

GES Gesallschaft zur Entdorgung von Sekundaerrohstoffen mbH

Gesam Gestione Servizi Ambientali S.p.A.

Gestion Des Rebuts D.M.P.
- WMI Mauricie Bois- Franc
- WMI Parc Hirondelles

Gestioni Ambientali, Srl

GI Industries, Inc.

Glenn County Disposal Service, Inc.

Glen's Sanitary Landfill, Inc.

Golden State Debris Box

Graham Road Recycling & Disposal Facility, Inc.

Grand Central Sanitary Landfill, Inc.

Grand Central Sanitation, Inc.

Greater Manchester Sites Ltd.

Green Valley Disposal - Burbank Company, Inc.

Green Valley Disposal - District-1, Inc.

Green Valley Disposal - San Jose Company, Inc.

Green Valley Disposal Company, Inc.

Green Valley Landfill Limited

Green Valley Recycling Company, Inc.

Greenfield WMI Transfer Limited

Greenhills Landfill Restoration Limited

Ground, Sea, Air International Forwarder Inc.

Grupo WMX, S.A. De C.V.

Guadalupe Rubbish Disposal Co., Inc.

Guangzhou Guang Jia Environmental Protection Co. Ltd.

Gulf Disposal, Inc.

Guyan Transfer and Sanitation Service, Inc.

H.B.J.J., Incorporated

Hamm's Sanitation, Inc.

Hangzhou Zhong Jia Environmental Technology Co. Limited

Harris Disposal Service, Inc.

Harris Sanitation, Inc.

Harwood Landfill, Inc.

Hillsboro Landfill, Inc.

Hillside Recycling Corporation

Hite Construction, Inc.

Hollander Industriediensten BV

Hollister Disposal, Inc.

Holyoke Sanitary Landfill, Inc.

Hopper Services Ltd

Hudson Jersey Sanitation Co.

IBKA Miljoservice A/S

IBKA UK Ltd

Ichochema B.V.

Icopower B.V.

Icosloop B.V.

Icotech B.V.

Icova B.V.

Icova Maltha Glascollecting B.V.

IN Landfills, L.L.C.

Independent Disposal Services, Inc.

Independent Sanitation Company
Incline Sanitation

Interport Paper Limited

Intersan Inc.
Location Sanico Ltee
Dechex Ltee
Centre de Tri Transit (1) Inc./Transit

IRA S.r.1.

J Bar J Land, Inc.

J. Aberg Forvaltning AB

J. van Loenen en Zonen B.V.

J.H.:s Miljo & Transport AB

J.R. McKeen Contractors Ltd.

Jaarstveld Groen En Milieu B.V.

Jahner Sanitation, Inc.

Jay County Landfill, L.L.C.

Jennings Environmental Services Pty Ltd (50%)

Jennings Liquid Waste Pty Ltd. (50%)

JFS (UK) Limited

John Smith Landfill, Inc.

Johnson Canyon Road Disposal Site, Inc.

Jones Disposal Service, Inc.

Jones Sanitation, L.L.C.

Jumbo Bins Ltd

Junker Sanitation Services, Inc.
United Waste Systems of Minnesota

K and W Landfill, Inc.

Kahle Landfill, Inc.

Keene Road Landfill, Inc.

Kelly Run Sanitation, Inc.

Ken's Pickup Service, Inc.
United Waste Systems of Northern Michigan

Kershaw County, Landfill, Inc.

Key Disposal Ltd.

Kimmins Recycling Corporation

King George Landfill, Inc.

Klamath Disposal, Inc.

Klok Containers B.V.

Knutson Material Recovery Facility, Inc.

Knutson Services, Inc.
Knutson Kleen Sweep

L&K Debris Box Service
L & K Disposal

L&M Landfill, Inc.

L.A. de Kleijn B.V.

Land Reclamation Company, Inc.
Kestrel Hawk Park Landfill

Landfill of Pine Ridge, Inc.

Landfill Services of Charleston, Inc.

Landfill Systems, Inc.
Landfill Systems

Larry's Sanitary Service, Inc.

Lassen Waste Lines, Inc.

Lassen Waste Systems, Inc.

Laurel Highlands Landfill, Inc.

Laurel Ridge Landfill, L.L.C.

LCS Services, Inc.
LCS Landfill
North Mountain Landfill

Lewis Road Disposal Site, Inc.

LFG Production (Partnership)

LG-Garnet of Maryland JV
DC U line Transfer Liberty Landfill, L.L.C.

Liberty Lane West Owner's Association Corp.

Liquid Waste Management, Inc.

Living Earth Joint Venture Company Ltd.

Local Sanitation of Rowan County, L.L.C.

Lo-Cost Waste Disposal, Inc.

Lodi Sanitary City Disposal Co., Inc.

Longview of Mercer County I, Inc.

Longview of Mid-Missouri, Inc.

Longview of Ocean County, Inc.

Longview of Pettis County, Inc.

Longview of St. Joseph, Inc.

Loristan Services Limited

M.P.S. Medical Package Service Srl

M.S.T.S., Inc.

Mac's Garbage Services, Inc.

Madison Lane Properties, Inc.

Mahoning Landfill, Inc.

Manliba SA

Maplewood Landfill, Inc.

Marangi Brothers, Inc.

Maraoil OY

Marius Pedersen Odense

Mashor & Reym Charters Sdn Bhd

Mashor Reym Sdn. Bhd.

Mashor WM Brunei Sdn Bhd

Mass Gravel, Inc.

Massachusetts Refusetech, Inc.

McDaniel Landfill, Inc.

McGill Landfill, Inc.

McGinnes Industrial Maintenance Corp.

Meadowfill Landfill, Inc.

Megastock, Ltd.

Michigan Environs, Inc.
United Waste Systems of Menominee
UWS of Menominee

Mid Valley Portable Storage, Inc.

Middle Island Enterprises, Inc.

Midwest Transport, Inc.

Miljoarbetarna AB

Miller's Sanitary Service, Inc.

M-L Commercial Garbage Service, Inc.

Modesto Garbage, Inc.

Mohave Disposal, Inc.

Moor Refuse, Inc.

Mountain Indemnity Insurance Company

Mountain Waste, Inc.

Mountainview Landfill, Inc.

Mountainview Landfill, Inc.

MSTS. Lizenz GmbH

Mull Entsorgung West GmbH & Co. KG

Mull Entsorgung West Verwaltungs GmbH

Napa Garbage Service, Inc.

Napa Valley Disposal Service, Inc.

Nassjo Renhallning AB

National Guaranty Insurance Company

Neal Road Landfill Corporation

Nevada City Garbage Service, Inc.

Nevada County Transfer, Inc.

New England CR, Inc.

New Milford Landfill, L.L.C.

New York Organic Fertilizer Company

NH/VT Energy Recovery Corporation

Nichols Sanitation, Inc.
Lake Placid Sanitation

North Hennepin Recycling & Transfer Corporation

North Valley Disposal Service, Inc.

Northern Recycling, Inc.

Northwestern Landfill, Inc.

Norwaste Ltd.

NSC Sales Corp

Nu-Way Live Oak Landfill, Inc.

NYOFCO Holdings, Inc.

O.V.E.R. s.r.1.

Oak Grove Landfill, Inc.

Oakridge Landfill, Inc.

Oakwood Landfill, Inc.

Ocean Combustion Service, B.V.

OCS NV

Oil & Solvent Process Company

Okeechobee Landfill, Inc.

Olson's Sanitation Service, Inc.

Olympic View Sanitary Landfill, Inc.

Orange County Landfill, Inc.

Orange Disposal Services, Inc.

Orange Resource Recovery Systems, Inc.

Orbit AB

Pacific Environmental Partners Ltd

Pacific Waste Alternatives, Inc.

Pacific Waste Management Holdings Pty. Limited.

Pacific Waste Management Ltd.

Pacific Waste Management Ltd.

Pacific Waste Management Pty Limited

Pacific Waste Management, Inc.

Palo Alto Sanitation Company

Paper Recycling International, L.P.

Pappy, Inc.

Paradise Solid Waste Systems

Pearl Delta WMI Limited

Pecan Grove Landfill, Inc.

Peerless Landfill Company

Peninsula Sanitation, Inc.

Penn Warner Club, Inc.

Pen-Rob, Inc.

Penuelas Valley Landfill, Inc.

People's Landfill, Inc.

Peterson Demolition, Inc.

Phillipps & Cypher, Inc.
Superior Portables

Phoenix Resources, Inc.

Photodigit Ltd.

Pikes Point Transportation Ltd.

Pilmuir Waste Disposal Limited

Pine Bluff Landfill, Inc.

Pine Grove Landfill, Inc.

Pine Grove Landfill, Inc.

Pine Ridge Landfill, Inc.

Pine Tree Acres, Inc.
S&V Disposal

Plantation Oaks Landfill, Inc.

Poly-Jon of Savannah, Inc.

PPK Environmental & Infrastructure Pty. Ltd.

Practical Recycling Systems Ltd.

Prairie Bluff Landfill, Inc.

Premier Cart Service, Inc.

Progesam Ecosistemi Srl

PT Prasada Pamunah Limbah Industri

PT Waste Management Indonesia

Public Sanitary Service, Inc.

Pulaski Sanitation, L.L.C.

Pullman Chimney of Canada Ltd.

Pullman Power Products Corporation

Pullman Power Products International Corporation

Pullman Power Products of Ohio, Inc.

PWM (ACT) Pty Ltd

PWM (Central Coast) Pty Ltd

PWM (Lyndhurst) Pty Ltd

PWM (NSW) Pty Ltd

PWM (SA) Pty Ltd

PWM (Victoria) Pty Ltd

PWM (WA) Pty Ltd

PWM Affiliates Superannuation Fund Pty Limited

PWM Waste Services Pty Ltd.

Quail Hollow Landfill, Inc.

Quality Waste Control, Inc.

Questquill Ltd.

R&B Landfill, Inc.

R&R Disposals, Inc.

R.S.W. Recycling, Inc.

RA Johnson (Haulage) Ltd.

Rail Cycle North Ltd.

Rail-Cycle L.P.

RCC Fiber Company, Inc.

RCI Hudson, Inc.
United Waste Systems of Hudson

Recuperi Piemontesi Srl

Recycle & Recover, Inc.

Recycle America, Inc.

Recycle Minnesota Resources, Inc.

Recycle New Zealand Ltd.

Re-Cy-Co, Inc.
United Waste Transfer

Red Bluff Disposal, Inc.

Redwood Landfill, Inc.

Refuse Disposal, Inc.

Refuse Energy Systems Company J.V.

Refuse Services, Inc.
Clay County Recycling and Disposal Facility
Jacksonville Waste Control

Refuse, Inc.
Sage Street Transfer Station
Stead Street Transfer Station

Regin B.V. (20%)

Regional Recycling Corporation

Regular Rubbish Removal

REI Holdings, Inc.

Reliable Landfill, L.L.C.

Reliable Trash Hauling, Inc.

Remote Landfill Services, Inc.

Reno Disposal Co.
- Reno Sanitation Company
- Sparks Sanitation

Renovadan Miljoservice A/S

Rent-a-Weld (Wirral) Ltd.

Resco Holdings, Inc.

Residuals Processing, Inc.

Residuos Industriales Multiquim, S.A. de C.V.

Resource Control Composting, Inc.

Resource Control, Inc.

Reuter Recycling of Florida, Inc.

Reym B.V.

Richland County Landfill, Inc.

Ridge Generating Station Limited Partnership

RIH Inc.

Riley Energy Systems of Lisbon Corporation

RIS Risk Management Inc.

Riverbend Landfill, Inc.

Rolling Meadows Landfill, Inc.

RRT Design & Construction Corp

RRT Empire Returns of Monroe County, Inc.

RRT of New Jersey, Inc.

RRT of Pennsylvania, Inc.

RTS Landfill, Inc.
- Del Mar Virginia District
- Plant Atkinson Transfer Station
- South Side Sanitation
- Starr Tranfer Station

Rural Dispos-all Service, Inc.

Rust Capital Corporation

Rust Controldua, S.A. De C.V.

Rust Engineering & Construction Inc.

Rust International Holdings Inc.

Rust International Inc.

S&J Landfill, Limited Partnership

S&S Grading, Inc.

S.A.P. s.p.a.

S.P.E.M. S.p.A.

S.V. Farming Corp.

Sacramento Valley Environmental Waste Company

Saframa S.A.

SAH Transportation, Inc.

Sakab Batteri AB

Salinas Disposal Service, Inc.

Salutec, S.A.

San-Co Disposal Service, Inc.

Sanifill de Mexico (US), Inc.

Sanifill de Mexico, S.A. de C.V.

Sanifill Forest Products, Inc.

Sanifill of Florida, Inc.

Sanifill of Hawaii, Inc.

Sanifill of San Juan, Inc.

Sanifill Power Corporation

San-I-Pak

SASA Ltda

SC Holdings, Inc.
- L&D Landfill
- Sanitary Landfill

SCS Contractors Ltd.

Serrot Corporation GmbH

Serrot International, Inc. (f.k.a. National Seal Company)

Serubam Servicos Urbanos E Ambientais Ltda

Servizi Piemonte S.r.1.

SES Bridgeport, L.L.C.

SES Connecticut Inc.

SF, Inc.

Shade Landfill, Inc.

Shereg Schleswig Holstein Entsorgung Recycling GmbH

Shore Disposal, Inc.

Shoreline Disposal Co., Inc.

Sierra Estrella Landfill, Inc.

Signal Capital Sherman Station Inc.

Signal RESCO, Inc.

Sirmas Srl

Skaraborgs Energi-Och Mijo AB

SMC Smaltimenti Controllati S.p.a.

Smyrna Landfill, Inc.

Soaring Vista Properties, Inc.

Sokins Enterprises, Inc.

Sonoma Marin Waste Management, Inc.

Sonoma West Marin Recycling, Inc.

South China WMI Transfer Limited

Southern Alleghenies Landfill, Inc.
- Altoona Transfer Station
- American Recycling

Southern Plains Landfill, Inc.

Southern Waste Services, L.L.C.

Spruce Ridge Landfill, Inc.

Star Sanitation Services, Inc.

Stockton Scavengers Association

Stony Hollow Landfill, Inc.

Storey County Sanitation, Inc.

Suburban Landfill, Inc.

Sun Waste Alternatives, Inc.

Super Cycle, Inc.

Super Kwik, Inc.

Svensk Avfallskonvertering AB

Swindell-Dressler Energy Supply Company

Swindell-Dressler Leasing Company

Sylvan & Qvibelius AB

Sylvans Kemiteknik AB

T. R. Walters Investments, Inc.

Tabulator AB

Tabulator Forvaltning AB

The Waste Management Charitable Foundation

The Woodlands of Van Buren, Inc.

Three River Disposal, Inc.

Tidy Up Australia Pty

Tidy Up Holdings Pty

TNT Sands, Inc.

Tonitown Landfill, Inc.

Town & Country Refuse, Inc.
Port-O-Let

Tra. S.E. s.p.a.

Trade & Domestic Ltd.

Trade Domestic (1997) Ltd.

Trail Ridge Landfill, Inc.

Transamerican Waste Central Landfill, Inc.

Transamerican Waste Industries of Southeast, Inc.

Transamerican Waste Industries, Inc.

Transmetro SA

Transportbedrijf Van Bliet B.V.

TransWaste, Inc.

Trash Hunters of Tunica, Inc.

Trash Hunters, Inc.

Tri-County Sanitary Landfill, L.L.C.

TVG Transport und Verwertungsgesellschaft Darmstadt-Dieburg mbH

Twin City Sanitation, Inc.

Tyneside Waste Paper Co Ltd.

UK Waste Management Ltd.

United Waste Systems Leasing, Inc.

United Waste Systems of Gardner, Inc.

United Waste Systems of Minneapolis, Inc.

United Waste Systems of Minnesota, Inc.
- Bellaire Sanitation
- Gallagher's Service
- J.J. Young Rubbish
- Lake Sanitation
- Mike's Disposal and Recycling Service
- UWS
- UWT

United Waste Systems of Onaway, Inc.

United Waste Systems of Trinity County, Inc.

United Waste Systems, Inc.
- Mike's Disposal & Recycling Service

United Waste Transfer, Inc.

USA Crinc, Inc.

USA South Hills Landfill, Inc.

USA Valley Facility, Inc.

USA Waste Arizona Landfill, Inc.

USA Waste Geneva Landfill, Inc.
- USA Waste of Ashtabula

USA Waste Industrial Services, Inc.
- USA Environmental Services

USA Waste Landfill Operations and Transfer, Inc.

USA Waste-Management Resources, L.L.C.

USA Waste of Alaska, Inc.

USA Waste of California, Inc.
- Castaic Disposal
- Newhall Ranch Waste and Recycling Services
- Stevenson Ranch Disposal
- USA Waste of San Jose
- Waste Management of Orange
- Waste Management of Palmdale
- Waste Management of Antelope Valley
- G I Rubbish

USA Waste of DC, Inc.

USA Waste of Fairless Hills, Inc.

USA Waste of Kentucky, L.L.C.

USA Waste of Maryland, Inc.
- A.R.D. Equipment, Inc.
- ARD Equipment Leasing Co., L.L.C.
- Debris Disposers, Ltd.
- Lowery's Trash Removal & Services

USA Waste of Minnesota, Inc.
- Kato Sanitation Northwest Valley
- Meeker County Transfer Station
- West Side Hauling

USA Waste of Mississippi, Inc.

USA Waste of New Jersey, Inc.
- Atlantic City Hauling
- Bergen County Transfer Station
- Burlington County Landfill

USA Waste of New York City, Inc
- Marshall's Refuse, Inc.
- North Hempstead Transfer

USA Waste of Ohio, Inc.
- Johnson Disposal
- Johnson Disposal Transfer & Recycling Facility
- Mound Transfer Station
- Northern Ohio Waste Systems
- Reliable Sanitation
- Sanitary Commercial Services

USA Waste of Oregon, Inc.
- Alpine Disposal & Recycling
- Energy Reclamation
- Forest Grove Transfer Station
- Klamath Disposal
- Metropolitan Disposal & Recycling
- Mt. Hood Refuse
- Sandy Transfer Station

USA Waste of Pennsylvania, Inc.
- Helmick's Sanitation and General Hauling
- Kittinning Transfer Station
- LeHigh Hauling
- Mainline Sanitation
- Tri-Valley Recycling
- Tri-Valley Waste Systems
- USA Waste of Harrisburg

USA Waste of Pennsylvania, L.L.C.

USA Waste of Texas Landfills, Inc.

USA Waste of Virginia Landfills, Inc.
- Bethel Landfill
- Bushrod Disposal Service
- James City County Transfer
- Qualla Road Landfill

USA Waste of Virginia, Inc.

USA Waste Services North Carolina Landfills, Inc.
- Anson Road Landfill
- Coble Road Landfill

USA Waste Services of Nevada, Inc.

USA Waste Services of NYC, Inc.

USA Waste Services-Hickory Hills, L.L.C.

UWS Barre, Inc.

UWS of Rhode Island, Inc.
- Truk-Away of R.I.

V&W Investments, Inc.

VAI VA Projekt AB

Vallery Commericial Disposal Co., Inc.

Valley Garbage and Rubbish Company, Inc.
- Heath Sanitation Service

Valley Garbage Service, Inc.

Van Handal Disposal, Inc.

Van Loenen Milieu B.V.

Van Loenen Recycling Beheer B.V.

Van Loenen Transport en Verhuur B.V.

VAR Projekt AS

VDL Plus Two, Inc.

VE-Part S.r.1.

Vern's Refuse Service, Inc.

Vickery Environmental, Inc.
- WMI Medical Services- Dayton

Vliko B.V.

Voyageur Disposal Processing, Inc.

Voyageur Leasing, Inc.

Voyageur Services, Inc.

W/W Risk Management, Inc.

Walters and Vann, Inc.
- Winton Disposal

Warner Company
- Warner West
- Warner East

Wasco Landfill, Inc.

Washington Waste Systems, Inc.

Wasilla Refuse, Inc.

Waste Away Group, Inc.
- Environmental Waste Systems
- LaGrange Transfer Station
- Montgomery Transfer Station
- Phoenix City Transfer
- Springhill Landfill
- Waste Management of Alabama-Central
- Waste Management of Alabama-East
- Waste Management of Alabama-North
- Waste Management of Alabama-South

Waste Care Ltd.

Waste Care Medisafe Ltd

Waste Clearance (Holdings) Ltd.

Waste Control Systems, Inc.

Waste Disposal Services Limited

Waste Management (Auckland) Ltd

Waste Management (Land) Limited

Waste Management (UK) Holdings Ltd.

Waste Management (W.M.) Israel Limited

Waste Management Austria mbH

Waste Management Collection and Recycling, Inc.
- American Waste Systems
- Empire Waste Management
- Great Western Reclamation
- Recycle America
- SAWDCO Collection
- Sunset Environment
- Valley Waste Management
- Waste Management of Inland Valley

Waste Management of Orange County
Waste Management of Sacramento
Waste Management of San Gabriel/Pomona Valley
Waste Management of Santa Cruz County
Waste Management of the Central Valley
Waste Management of Woodland

Waste Management Controladora, S.A. de C.V.

Waste Management Danmark A/S

Waste Management Development B.V.

Waste Management Disposal Services of Arizona, Inc.

Waste Management Disposal Services of Colorado, Inc.
Central Weld Sanitary Landfill
Colorado Springs Recycling and Disposal Facility
County Line Recycling and Disposal Facility
Denver/Arapahoe Disposal Site
East Weld Sanitary Landfill
North Weld Sanitary Landfill
Waste Management of Colorado-Landfill Division

Waste Management Disposal Services of Maine, Inc.
Waste Management Disposal Services of Maine-Crossroads

Waste Management Disposal Services of Maryland, Inc.
Sandy Hill

Waste Management Disposal Services of Massachusetts, Inc.

Waste Management Disposal Services of Oregon, Inc.
Columbia Ridge Landfill and Recycling Center
Oregon Waste Systems

Waste Management Disposal Services of Pennsylvania, Inc.
Burlington County Resource Recovery Facilities Complex
G.R.O.W.S. Landfill
Meadowlands Baler Facility
Meadowland Recycling and Disposal Facility
Northwest Sanitary Landfill
Pottstown Landfill and Recycling Center

Waste Management Disposal Services of Virginia, Inc.
Middle Peninsula Landfill and Recycling Facility

Waste Management Disposal Services of Washington, Inc.
Greater Wenatchee Regional Landfill and Recycling Center
Waste Management of Washington

Waste Management Environmental Services B.V.

Waste Management Environmental, L.L.C.

Waste Management Federal Services of Hanford, Inc.

Waste Management Federal Services of Idaho, Inc.

Waste Management Federal Services, Inc.

Waste Management Financing Corp.

Waste Management Geotech, Inc.

Waste Management Greece AAE

Waste Management Holdings, Inc.

Waste Management Inc., of Florida
Atlantic Waste Management
Broward Disposal
Central Disposal
Environmental Waste Systems

Florida Environmental Waste
Florida Disposal
Florida Resource Management
Gulf Coast Recycling and Disposal Facility
Hillsborough Heights Recycling and Disposal Facility
Medly Landfill & Recycling Center
Rubbish Gobbler
Southeast recycling and Disposal Facility
Southern Sanitation Service
South Florida Service Center
United Sanitation Recycling and Disposal Facility
Waste Management of Bay County
Waste Management of Collier County
Waste Management of Dade County
Waste Management of Monroe County
Waste Management of Pasco County
Waste Management of Tampa

Waste Management International BV

Waste Management International Services Ltd.

Waste Management International, Inc.

Waste Management International, Ltd.

Waste Management Italia SpA

Waste Management Ltd.

Waste Management Municipal Services of California, Inc.

Waste Management N.Z. Ltd.

Waste Management Nederland B.V.

Waste Management of Alameda County, Inc.
Altamont Landfill and Resource Recovery Facility
Central Division
Davis Street Station for Material Recovery and Transfer
East Bay Disposal Co.
Livermore Dublin Disposal
Northern Division
Recycle America of Northern California
Southern Division
Sunnyvale Recycling and Disposal Facility
Tri-Cities Recycling and Disposal Facility

Waste Management of Arizona, Inc.
Asset Recovery Group
Butterfield Station Recycling and Disposal Facility Industrial Services
Division Sky Harbor regional Transfer & Recycling Center 27th Avenue
Recycling and Disposal Facility Waste Management of Northern Arizona
Waste Management of Phoenix- North Waste Management of Phoenix -
Recycle America Waste Management of Phoenix- South Waste Management of
Tucson Waste Management of Tucson- Recycle America Waste Management of
Verde Valley WMI Services- Phoenix

Waste Management of Arkansas, Inc.
Brushy Island Recycling and Disposal Facility

Jefferson County Recycling and Disposal Facility
Shannon Road Recycling and Disposal Facility
Union County Recycling and Disposal Facility
Waste Management of Arkansas North
Waste Management of Arkansas South

Waste Management of California, Inc. Kirby Canyon recycling and Disposal Facility Lancaster Recycling and Disposal Facility Simi Valley Recycling and Disposal Facility Universal Refuse Removal of El Cajon Waste Management of Fresno County Waste Management of Lancaster Waste Management of Los Angeles Waste Management of Los Angeles- South Waste Management of North County Waste Management of San Diego Waste Management of San Fernando Valley Waste Management of Santa Clara County Waste Management of the Desert WMI Services

Waste Management of Carolinas, Inc.
Piedmont Landfill and Recycling Center
Waste Management of Asheville
Waste Management of Carolinas
Waste Management of Central Carolina
Waste Management of Eastern Carolina
Waste Management of the Piedmont
Waste Management of Raleigh/Durham
Waste Management of Wilmington
Waste Management of the Triad

Waste Management of Central Florida, Inc.
Aluchua Waste Management

Waste Management of Colorado, Inc.
Canon City Disposal and Recycling
Colorado Springs Transfer Station
Englewood Transfer Station
Port-O-Let
Waste Management of Aurora
Waste Management of Colorado - Aurora Facility
Waste Management of Colorado - North Facility
Waste Management of Colorado - Recycle Facility
Waste Management of Colorado - South Facility
Waste Management of Colorado Springs-Recycle America Facility
Waste Management of Denver
Waste Management of Denver - Recycle America Processing Facility
Waste Management of Northern Colorado
Waste Management of Pueblo
Waste Management of the Rockies
WMI Medical Services

Waste Management of Connecticut, Inc.
(fka USA Waste of Connecticut, Inc.)

Waste Management of Delaware, Inc.
Waste Management of Delaware - Wilmington
Waste Management of Delmarva

Waste Management of Five Oaks Recycling and Disposal, Inc.

Waste Management of Florida Holding Company, Inc.

Waste Management of Georgia, Inc.
- Live Oak Landfill
- Superior Sanitation Landfill
- Waste Management of Savannah
- Waste Management of the Tennessee Valley

Waste Management of Grass Valley, Inc.

Waste Management of Hawaii, Inc.
- Waimanalo Gilch Recycling and Disposal Facility
- West Hawaii Landfill

Waste Management of Idaho, Inc.

Waste Management of Illinois, Inc.
- Banner/Western Disposal Service
- Chain of Rocks Recycling and Disposal Facility
- CID
- DeKalb County Recycling and Disposal Facility
- Durbin Paper Stock Company
- Five Oaks Recycling and Disposal Facility
- Greene Valley Recycling and Disposal Facility
- Kankakee recycling and Disposal Facility
- Laraway Recycling and Disposal Facility
- McLean County Disposal and recycling Services
- Milam Recycling and Disposal Facility
- Prairie Hill Recycling and Disposal Facility
- Settler's Hill recycling and Disposal Facility
- Tazewell Recycling and Disposal Facility
- TCD Services United
- Waste Systems Waste Management - Metro
- Waste Management- North Waste Management - Northwest
- Waste Management- West
- Waste Management of Metro East
- Waste Management of Peoria
- Waste Management of the South Suburbs
- Wheatland Prairie Recycling and Disposal Facility
- Woodland Recycling and Disposal Facility

Waste Management of Indiana Holdings One, Inc.

Waste Management of Indiana Holdings Two, Inc.

Waste Management of Indiana LLC
- Deercroft Recycling and Disposal Facility
- Glenwood Ridge Recycling and Disposal Facility
- Oak Ridge recycling and Disposal Facility
- Prairie View recycling and Disposal Facility
- Superior Waste Systems Twin Bridges Recycling and Disposal Facility
- Waste Management of Central Indiana Waste Management of Evansville
- Waste Management of Fort Wayne Waste Management of Indianapolis
- Waste Management of Indianapolis - Hamilton County
- Transfer
- Waste Management of Kokomo

Waste Management of Lafayette
Waste Management of Muncie
Waste Management of Northwest Indiana
Waste Management of Warsaw
Wheeler Recycling and Disposal Facility

Waste Management of Iowa, Inc.
Solid Waste Systems

Waste Management of Kansas, Inc.
Forest View recycling and Disposal Facility
Rolling Meadows recycling & Disposal facility
Solid Waste Systems
Topeka Waste Systems
Waste Management of Wichita
Waste Management - Refuse Control

Waste Management of Kentucky Holdings, Inc.

Waste Management of Kentucky L.L.C.
Blue Ridge Recycling and Disposal Facility Kramer Lane Recycling and Disposal Facility Lexington recycling and Disposal Facility Outer Loop recycling and Disposal Facility Waste Management of Kentucky - Gray Disposal Waste Management of Kentucky - Lexington Waste Management of Kentucky - Louisville Waste Management of Kentucky - Madison Disposal Waste Management of Kentucky - Stevens Dispos- All Service

Waste Management of Leon County, Inc.

Waste Management of Louisiana Holdings One, Inc.

Waste Management of Louisiana L.L.C.
Acadiana Recycling and Disposal Facility
Acadia Parish Sanitary Landfill
Alexandria Recycling and Disposal Facility
American Waste and Pollution Control-Algiers Residential
American Waste and Pollution Control-Eastern New Orleans Residential
American Waste and Pollution Control-Kelvin Recycling and Disposal Facility
American Waste and Pollution Control-St. Bernard Parish Residential
American Waste and Pollution Control-Slidell
American Waste and Pollution Control-West Jefferson Residential
Jefferson Davis Recycling and Disposal Facility
Kelvin Recycling and Disposal Facility
Magnolia Recycling and Disposal Facility
Pelican Recycling and Disposal Facility
Pelican State Environmental Services
Waste Management of Acadiana
Waste Management of Baton Rouge
Waste Management of the Bayous
Waste Management of Central Louisiana
Waste Management of Lake Charles
Waste Management of New Orleans
Waste Management of Northeast Louisiana
Waste Management of Northwest Louisiana

Waste Management of the Pines
Waste Management of St. Landry
Waste Management of St. Tammany
Waste Management of South Louisiana
Woodside Recycling and Disposal Facility

Waste Management of Maine, Inc.
Waste Management of Maine-Portland

Waste Management of Maryland, Inc.
Mobile Offices of Maryland
Waste Management of Cambridge
Waste Management of Greater Washington
Waste Management of Maryland, Baltimore
Waste Management of Southern Maryland
WMI Medical Services
WMI Services of Maryland

Waste Management of Massachusetts, Inc.
Somerville Transfer Station
Waste Management-Container Services
Waste Management of Boston-North
Waste Management of Central Massachusetts
Waste Management of Massachusetts-Gloucester
Waste Management of Massachusetts-South Shore

Waste Management of Michigan, Inc.
Autumn Hills Recycling and Disposal Facility
Cedar Ridge Recycling and Disposal Facility
Eagle Valley Recycling and Disposal Facility
Efficient Sanitation
Northern Oaks Recycling and Disposal Facility
Recycle America-Metro Detroit Valley
Rubbish Venice Park recycling and Disposal Facility
Waste Management of Detroit-Residential
Waste Management - Metro Detroit
Waste Management of Michigan-Alma Transfer and Recycling Facility
Waste Management of Michigan-Area Disposal
Waste Management of Michigan-Burr Oak
Waste Management of Michigan-Central
Waste Management of Michigan-Detroit East Recycling Transfer Facility
Waste Management of Michigan-Detroit Transfer and Recycling Facility
Waste Management of Michigan-Detroit MRF/Transfer
Waste Management of Michigan-Dowagiac Transfer and Recycling Facility
Waste Management of Michigan- Holland
Waste Management of Michigan- Holland Transfer and Recycling Facility
Waste Management of Michigan-Mideast
Waste Management of Michigan-Mideast/Port Huron
Waste Management of Michigan-Midwest
Waste Management of Michigan-Northern
Waste Management of Michigan-Recycle America/Grand Rapids
Waste Management of Michigan-Southwest
Waste Management of Michigan-Western

Westside Recycling and Disposal Facility
WMI Services-Eastern Michigan/Northwest Ohio
Woodland Meadows Recycling and Disposal Facility

Waste Management of Minnesota, Inc.
Anoka Recycling and Disposal Facility
Dietman Sanitation & Recycling
Northern Waste Systems
Recycle America of Minnesota
Sun Prairie Recycling and Disposal Facility
Waste Management- Blaine
Waste Management- LeSeur
Waste Management- Rochester
Waste Management- Savage
Waste Management- St. Cloud
Waste Management of Hastings
WMI Services of Minnesota

Waste Management of Mississippi, Inc.
Pecan Grove Landfill
Pine Ridge Landfill
Plantation Oaks Landfill
Prairie Bluff Landfill
Waste Management of Central Mississippi-Jackson
Waste Management of Central Mississippi-Kosciusko
Waste Management of Central Mississippi-Meridian
Waste Management of Central Mississippi-Vicksburg
Waste Management of North Mississippi-Clarksdale
Waste Management of North Mississippi-Columbus
Waste Management of North Mississippi-Corinth
Waste Management of North Mississippi-Greenville
Waste Management of North Mississippi-Grenada
Waste Management of North Mississippi-Tupelo
Waste Management of South Mississippi-Gulfport
Waste Management of South Mississippi-McComb
Waste Management of South Mississippi-Natchez
Waste Management of South Mississippi-Pine Belt

Waste Management of Missouri, Inc.
Black Oak and Disposal Facility
Environmental Industries
Kahle Recycling and Disposal facility
Meramec Hauling
Pezold Hauling
Rumble Recycling and Disposal Facility
Waste Management of Kansas City
Waste Management of Springfield
Waste Management of St. Louis
Waste Management of the Ozarks

Waste Management of Montana, Inc
Waste Management of Great Falls

Waste Management of Nebraska, Inc.
Douglas County Recycling and Disposal Facility

Waste Management of Nevada, Inc. (fka USA Waste of Nevada, Inc.)

Waste Management of New Hampshire, Inc.
Turnkey Recycling and Environmental Enterprises
Waste Management of New Hampshire- Londonberry
Waste Management of New Hampshire- New Hampton
Waste Management of New Hampshire- Rochester

Waste Management of New Hampshire- Peterborough

Waste Management of New Jersey, Inc.
Avenue A Transfer & Recycling Center
Middle Martee Landfill
Recycle America
Waste Management of Camden

Waste Management of New Mexico, Inc.
Environmental Waste Equipment Company
Hobbs Recycling and Disposal Facility
Landfill Hauling Systems
Landfill Systems
R&B Rubbish Removal
Rio Rancho Recycling and Disposal Facility
San Juan Recycling and Disposal Facility
Seay Brothers Rolloff Tijeras Disposal
United Waste Systems
Waste Management of Albuquerque-Recycle America
Processing Facility
Waste Management of Four Corners
Waste Management of Southeast New Mexico
Waste Management of the Southwest

Waste Management of New York, L.L.C.
High Acres Landfill and Recycling Facility
Waste Management of Eastern New York
Waste Management of Hudson Valley
Waste Management of New York-Albion
Waste Management of New York-Buffalo
Waste Management of New York-Rochester
Waste Management of New York-Syracuse
Waste Management of New York-Utica
Waste Management of Southwestern New York W
MI Services of New York

Waste Management of North Dakota, Inc.
Northern Waste Systems

Waste Management of Ohio, Inc.
Countywide Recycling and Disposal Facility
ELDA Recycling and Disposal Facility
Evergreen Recycling and Disposal Facility
Herrick Valley Recycling and Disposal Facility
Lake County Recycling and Disposal Facility
Pinnacle Road Recycling and Disposal Facility
Seneca East Recycling and Disposal Facility
Stony Hollow Recycling and Disposal facility
Suburban Recycling and Disposal Facility
Waste Management of Ohio-Akron
Waste Management of Ohio-Blaylock
Waste Management of Ohio-Cleveland Transfer and Recycling Facility
Waste Management of Ohio-Cleveland West
Waste Management of Ohio-Columbus
Waste Management of Ohio-Columbus Transfer and Recycling Facility
Waste Management of Ohio-Findlay
Waste Management of Ohio-IWD
Waste Management of Ohio-Koogler

Waste Management of Ohio-Lima
Waste Management of Ohio-Lima Transfer and Recycling Facility
Waste Management of Ohio-M&M Sanitation
Waste Management of Ohio-Newark
Waste Management of Ohio-Northwest
Waste Management of Ohio-Recycle America/Toledo
Waste Management of Ohio-S.E.M.
Waste Management of Ohio-Shelby County Transfer
Waste Management of Ohio-Suburban Sanitation Service
Waste Management of Ohio-Western Reserve
Waste Management of Ohio-Youngstown
WMI Services-Ohio

Waste Management of Oklahoma, Inc.
East Oak Recycling and Disposal Facility
Muskogee recycling and Disposal Facility
Quarry Recycling and Disposal Facility
Waste Management of Oklahoma City
Waste Management of Tulsa

Waste Management of Oregon, Inc.
Metro South Transfer Station
Port-O-Let
Waste Management of Vancouver U.S.A.
Zero Garbage

Waste Management of Pennsylvania, Inc.
Alderfer & Frank
Lake View Landfill (Northern)
Mid-Atlantic Recycling and Distribution Center
Milton Grove Demolition and Tire Recycling
Philadelphia Transfer and Recycling Station
Pottsville Transfer Station Recycle America
River Road Landfill Steel Valley Transfer Station
The Forge Recycling and Resource Recovery Center
Tully Town Resource Recovery Facility
Waste Automation Waste Management - Allentown
Waste Management- Dixon Recycling
Waste Management of Camp Hill
Waste Management of Delaware Valley-North
Waste Management of Delaware Valley-South
Waste Management of Erie
Waste Management of Greater Lancaster
Waste Management of Greencastle
Waste Management of Greenville
Waste Management of Indian Valley
Waste Management of Laurel Valley
Waste Management of Northeast Pennsylvania
Waste Management of Pennsylvania-Hauling
Waste Management of Pittsburgh
Waste Management of Pottstown
Waste Management of Wilkinsburg
WMI Medical Services of New Jersey
WMI Medical Services of New York
WMI Medical Services of Pennsylvania

WMI Medical Services of West Virginia

Waste Management of Rhode Island, Inc.
Waste Management of Rhode Island- Newport

Waste Management of South Carolina, Inc.
Charleston Landfill
Hickory Hill Sanitary Landfill
Palmetto Landfill
Sandy Pines Landfill
Waste Management of South Carolina
Waste Management of the Low Country
Waste Management of South Dakota, Inc.
Waste Management of Sioux Falls
Waste Management of the Black Hills

Waste Management of Texas, Inc.
All Waste Paper Recycling
Atascosita Recycling and Disposal Facility
Austin Community Disposal
Co. Bluebonnet Recycling and Disposal Facility
Centex Waste Management
Coastal Plains Recycling and Disposal Facility
Comal County Recycling and Disposal Facility
Covell Gardens Landfill DFW Recycling and Disposal Facility
Fogle Garbage Service Garbage
Gobbler Hillside recycling and Disposal Facility
Kingwood Garbage Service
Lacy Lakeview Recycling and Disposal Facility
Longhorn Disposal Northwest Transfer Station
Oak Hill Recycling and Disposal Facility
Pecan Prairie Recycling and Disposal Facility
Recycle America-Dallas Bulk grade Division
Recycle America-Dallas High Grade Division
S&B trucking & Sanitation
Security Landfill
Skyline Recycling and Disposal Facility
Texas Waste Management
Waste Management of Fort Worth Recycling and Disposal Facility
Waste Management - Golden Triangle
Waste Management of Dallas-East
Waste Management of Dallas Recycle America Processing Facility
Waste Management of Dallas-West
Waste Management of East Texas
Waste Management of Fort Worth
Waste Management of Fort Worth Recycling and Disposal Facility
Waste Management of Houston
Waste Management of Northeast Texas
Waste Management of Southeast Texas
Waste Management of Southeast Texas-Angleton
Waste Management of Southeast Texas-Dickinson
Waste Management of South Texas

Waste Management of West Texas Westside
Recycling and Disposal Facility
Williamson County Recycling and Disposal Facility
WMI Services of Dallas
WMI Services of North Texas
WMI Services of Texas

Waste Management of Utah, Inc.
Waste Management of Northern Utah
Reliable Waste Systems
Waste Management of Salt Lake

Waste Management of Varick Avenue, Inc.

Waste Management of Virginia, Inc.
Manassas Transfer Station
Waste Management of Hampton Roads
Waste Management of Northern Virginia
Waste Management of Northern Virginia-Crown Disposal
Waste Management of the Outer Banks
Waste Management of Richmond/Fiber Fuels
Waste Management of Richmond Port-O-Let
Waste Management of Richmond
Recycle America
Waste Management of Virginia-Blue Ridge
WMI Services of Hampton Roads
WMI Services of Virginia

Waste Management of Washington, Inc.
Mountain Group-Northwest Office
Port-O-Let
Recycle America
Valley Topsoil
Waste Management-Northwest
Waste Management of Ellensburg
Waste Management of Greater Wenatchee
Waste Management of Kennewick
Waste Management of Seattle
Waste Management of Spokane
Waste Management of Yakima
Waste Management-SnoKing
Waste Management-Rainier
WMI Services
Waste Management of West Virginia, Inc.
Waste Management of Shenandoah Valley

Waste Management of Wisconsin, Inc.
Best Disposal
DSI of Shawano County, Inc.
Mallard Ridge Recycling and Disposal Facility
Metro/Stone Ridge Recycling and Disposal Facility
Orchard Ridge Recycling and Disposal Facility
Parkview Recycling and Disposal Facility
Parkway Container Services, Inc.
Pheasant Run Recycling and Disposal Facility
Ridgeview Recycling and Disposal Facility
Timberline Trail Recycling and Disposal Facility
UWS Transportation
Valley Trail Recycling and Disposal Facility
Waste Management-Northeast Wisconsin
Waste Management of Fox Valley
Waste Management of La Crosse

Waste Management of Madison
Waste Management of Milwaukee
Waste Management of Muskego
Waste Management of Rockford
Waste Management of Wisconsin-East
Waste Management Southwest
Waste Management of St. Croix Valley
Waste Management - Tri County
WMI Services of Wisconsin
Waste Management of Wyoming, Inc.

Waste Management Operations Ireland

Waste Management Paper Stock Company, Inc.
Southern Sanitation Southeast-Recycle America
Waste Management of Florida-Recycle America
Waste Management of Sarasota-Recycle America
Waste Management of Tampa- Recycle America

Waste Management Partners, Inc.
American Refuse Systems, Inc.
Ocmulgee Disposal, Inc.

Waste Management Plastic Products, Inc.

Waste Management Project Services B.V.

Waste Management Queensland Pty Ltd.

Waste Management Recycling & Services Limited

Waste Management Recycling and Disposal Services of California, Inc.
Waste Management of San Fernando Valley

Waste Management Recycling of New Jersey, Inc.
Safety Recycling

Waste Management Remediation Services B.V.

Waste Management Roxby Ltd.

Waste Management Services SA

Waste Management Siam Holdings Ltd

Waste Management Siam Ltd

Waste Management South America B.V.

Waste Management Stendhal GmbH

Waste Management Technical Services, Inc.

Waste Management Technology Center, Inc.

Waste Management Thailand B.V.

Waste Management Transfer of New Jersey, Inc.

Waste Management, Inc.

Waste Management, Inc. of Tennessee
Chestnut Ridge Landfill and Recycling Center
Nashville Hauling Nashville Transfer
Waste Management of Tennessee - Clarksville
Waste Management of Tennessee - Jackson
Waste Management of Tennessee - Knoxville
Waste Management of Tennessee - Memphis
Waste Management of Tennessee - Nashville
West Camden Sanitary Landfill

Waste Resource Technologies, Inc.

Waste Resources of Tennessee, Inc.

Wastech, Inc.

Waterblast Ltd.

Webster Parish Landfill, L.L.C.

WESI Baltimore Inc.

WESI Capital Inc.

WESI Peekskill Inc.

WESI Westchester Inc.

Wessex Waste Gas to Energy Ltd.

Wessex Waste Management Limited

West Australian Landfill Services Pty Limited (50%)

West Essex Disposal Co., Inc.

Westchester Resco Associates, L.P.

Westchester Resco Company, L.P.

Westchester Waste Services Co., L.L.C.

Western El Dorado Recovery Systems, Inc.

Western Land Acquisition, Inc.

Western U.P. Landfill, Inc.

Western Waste Industries
- Conroe Industrial Transportation
- Conroe Landfill #7
- Conroe Landfill Administration
- Fresno Transfer Station
- Inland Empire
- Redondo Beach Recycling
- Sunnydale Transfer Station
- Western Beaumont Landfill
- Western Longmont Landfill
- WW/Chino Transfer Station
- WW/Conroe Processing Plant
- WW/EL Sobrante Landfill
- Nassau Landfill
- WW/Southern California Processing

Westlake Truck Leasing, Inc.

Westley Trading Ltd.

Wheelabrator Baltimore, L.L.C.

Wheelabrator Canada Inc.

Wheelabrator Carteret Inc.

Wheelabrator Cedar Creek Inc.

Wheelabrator Claremont Company, L.P.

Wheelabrator Clean Water New Jersey Inc.

Wheelabrator Coal Services Company

Wheelabrator Concord Company, L.P.

Wheelabrator Concord Inc.

Wheelabrator Connecticut Inc.

Wheelabrator Culm Services Inc.

Wheelabrator Energy Leasing Company

Wheelabrator Environmental Systems Inc.

Wheelabrator Falls Inc.

Wheelabrator Frackville Energy Company Inc.

Wheelabrator Frackville Properties Inc.

Wheelabrator Fuel Services Company

Wheelabrator Fuels Service Corp.

Wheelabrator Gloucester Company, L.P.

Wheelabrator Gloucester Inc.

Wheelabrator Guam Inc.

Wheelabrator Hudson Energy Company Inc.

Wheelabrator Land Resources Inc.

Wheelabrator Lassen Inc.

Wheelabrator Martell Inc.

Wheelabrator McKay Bay Inc.

Wheelabrator Millbury Inc.

Wheelabrator New Hampshire Inc.

Wheelabrator New Jersey, Inc.

Wheelabrator NHC Inc.

Wheelabrator North Broward Inc.

Wheelabrator North Shore Inc.

Wheelabrator Norwalk Energy Company Inc.

Wheelabrator Penacook Inc.

Wheelabrator Pinellas Inc.

Wheelabrator Polk Inc.

Wheelabrator Putnam Inc.

Wheelabrator Ridge Energy Inc.

Wheelabrator Saugus Inc.

Wheelabrator Shasta Energy Company Inc.

Wheelabrator Sherman Station Energy Company, G.P.

Wheelabrator Sherman Station One Inc.

Wheelabrator Sherman Station Two Inc.

Wheelabrator Shrewsbury Inc.

Wheelabrator South Broward Inc.

Wheelabrator Spokane Inc.

Wheelabrator Technologies Inc.

Wheelabrator Technologies International, Inc.

Wheelabrator Water Technologies Baltimore L.L.C.

Wheelabrator Water Technologies Canada Inc.

Wheelabrator Water Technologies Inc.

White Lake Landfill, Inc.

William Hepworth Landfill

Williams Disposal Service, Inc.

Williams Landfill, L.L.C.

Williwaw Services, Inc.

WINZ Bins Ltd.

WM Asia BV

WM International Holdings, Inc.

WM Landfills of Georgia, Inc.

WM Landfills of Michigan, Inc.

WM Landfills of Ohio, Inc.

WM Landfills of Tennessee, Inc.

WM Miljoservice A/S

WM Partnership Holdings, Inc.

WM Resources, Inc.

WM Selbergs AB

WM Services S. A.

WM Transportation Services, Inc.

WM Umwelttechnik GmbH

WM Vedenkierratys OY

WM Ymparistopalvelut OY

WMD Bockmann Fritz Ohlig GmbH

WMD Just Wertstoffe GmbH

WMD Knab GmgH

WMD Knab Zwischenlager GmbH

WMD Knoss & Anthes GmbH

WMD Schreiber GmbH

WMD Waste Management Deutschland Holding GmbH

WMI Medical Services of Indiana, Inc.

WMI Mexico Holdings, Inc.

WMI Sverige AB

WMI Waste Management of Canada Inc.
- TCL Waste Systems
- Waste Management Big Bear Services
- Waste Management Fraser Valley
- Waste Management Halton/Hamilton
- Waste Management Materials Processing-Recycle Canada
- Waste Management Materials Processing-Toronto Transfer
- Waste Management McLellan Disposal
- Waste Management of Oxford/Perth
- Waste Management of Calgary
- Waste Management of Edmonton
- Waste Management of Greater Toronto
- Waste Management of Greater Vancouver
- Waste Management of Southwestern Ontario
- Waste Management of the Okanagan
- Waste Management York/Simcoe
- West Edmonton Recycling and Disposal Facility
- WMI du Quebec
- WMI - Hull/Ottawa

WMI Recyclage Quebec
WMI Rive - Sud
WMI Waste Management DuCanada

WMI Waste Management of Halton, Hamilton, Niagara Inc.

WMNA Container Recycling, Inc.

WMNA Rail-Cycle Sub, Inc.

WR Pollard and Son Limited

WTI Air Pollution Control Inc.

WTI China Holdings I, Inc.

WTI China Holdings II, Inc.

WTI International Holdings Inc.

WTI Qicheng LLC

WTI Rust Holdings, Inc.

WTI Taicang LLC.

WTI Yingkou LLC.

Wynne's Rubbish & Recycling, Inc.

Yell County Landfill, Inc.

Zenith/Kremer Material Recovery, Inc.
Suburban Recycling Service

Zenith/Kremer Waste Systems, Inc.
Cecil Shykes Sanitary Service
Home Town Garbage Service
Kremer Disposal
Kremer Recycling
Suburban Sanitation Service
Zenith Recycling

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Annual Report on Form 10-K into the Company's previously filed Registration Statements on Form S-8 (Registration Nos. 33-43619, 33-72436, 33-84988, 33-84990, 33-59807, 33-61621, 33-61625, 33-61627, 333-02181, 333-08161, 333-14115, 333-14613, 333-34819, 333-51975, 333-64239, 333-70055, 333-59247, 333-56113), previously filed Registration Statements on Form S-3 (Registration Nos. 333-00097, 333-08573, 333-32471, 333-33889, 333-52197, 333-80063, 333-21035, 333-17453, 333-17421, 33-63143, 33-62547, 33-85018, 33-42988, 33-76226, 333-63893, 333-21035, 33-76224), and previously filed Registration Statements on Form S-4 (Registration Nos. 333-31979 and 333-32805, 333-63981, 333-60103, 333-14109).

ARTHUR ANDERSEN LLP

Houston, Texas
March 30, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Waste Management, Inc. on Form S-3 (File Nos. 333-00097, 333-08573, 333-32471, 333-33889, 333-52197, 333-80063, 333-21035, 333-17453, 333-17421, 33-63143, 33-62547, 33-85018, 33-42988, 33-76226, 333-63893, 333-21035 and 33-76224), on Form S-4 (File Nos. 333-31979, 333-32805, 333-63981, 333-60103 and 333-14109), and on Form S-8 (File Nos. 33-43619, 33-72436, 33-84988, 33-84990, 33-59807, 33-61621, 33-61625, 33-61627, 333-02181, 333-08161, 333-14115, 333-14613, 333-34819, 333-51975, 333-64239, 333-70055, 333-56113, and 333-59247), of our report dated March 16, 1998, on our audit of the consolidated financial statements of operations, stockholders' equity and cash flows of USA Waste Services, Inc. for the year ended December 31, 1997, which report is included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Houston, Texas
March 29, 2000

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE YEAR ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS	
DEC-31-1999	
JAN-01-1999	
DEC-31-1999	
	181,357
	0
	2,239,647
	289,499
	107,222
	6,220,545
	16,469,276
	6,165,473
	22,681,424
	7,489,455
	11,498,088
	0
	0
	6,273
	4,396,339
22,681,424	
	0
	13,126,920
	0
	12,586,966
	0
	268,379
	769,655
	(162,732)
	232,319
	(395,051)
	0
	(2,513)
	0
	(397,564)
	(0.65)
	(0.65)