SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-12154

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

DELAWARE	73-1309529
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

The number of shares of Common Stock, $.01 par value, of the registrant outstanding at November 3, 2000 was 621,633,487 (excluding treasury shares of 8,014,471).

PART I.

ITEM 1. FINANCIAL STATEMENTS.

WASTE MANAGEMENT, INC.

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

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 144,797	$ 181,357
Receivables, net	1,601,237	1,907,287
Parts and supplies	75,031	107,222
Deferred income taxes	267,349	298,433
Prepaid expenses and other	155,632	190,744
Operations held-for-sale	860,178	3,535,502
Total current assets	3,104,224	6,220,545
Property and equipment, net	10,036,218	10,303,803
Excess of cost over net assets of acquired businesses, net	5,091,741	5,185,909
Other intangible assets, net	154,213	170,768
Other assets	789,297	800,399
Total assets	$19,175,693	$22,681,424
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 850,882	$ 1,062,536
Accrued liabilities	1,291,613	1,512,873
Deferred revenues	394,428	407,084
Current maturities of long-term debt	1,016,550	3,098,742
Operations held-for-sale	383,964	1,408,220
Total current liabilities	3,937,437	7,489,455
Long-term debt, less current maturities	7,990,616	8,399,346
Deferred income taxes	967,276	729,902
Environmental liabilities	825,357	837,407
Other liabilities	811,543	815,028
Total liabilities	14,532,229	18,271,138
Minority interest in subsidiaries	14,573	7,674
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; 629,633,649 and 627,283,618 shares issued, respectively	6,296	6,273
Additional paid-in capital	4,494,799	4,440,159
Retained earnings	521,001	662,746
Accumulated other comprehensive income (loss)	(236,549)	(563,086)
Restricted stock unearned compensation	(3,488)	(3,936)
Treasury stock at cost, 8,014,471 and 73,709 shares, respectively	(153,168)	(3,890)
Employee stock benefit trust at market, 7,892,612 shares at December 31, 1999	--	(135,654)
Total stockholders' equity	4,628,891	4,402,612
Total liabilities and stockholders' equity	$19,175,693	$22,681,424

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

WASTE MANAGEMENT, INC.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Operating revenues	$3,124,649	$ 3,395,052	$9,607,669	$9,790,462
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	1,871,048	2,578,341	5,775,907	6,075,317
General and administrative	411,185	771,187	1,350,026	1,344,829
Depreciation and amortization	366,615	452,970	1,079,332	1,202,735
Merger and acquisition related costs	--	31,568	--	111,263
Asset impairments and unusual items	362,566	680,284	671,248	700,034
	3,011,414	4,514,350	8,876,513	9,434,178
Income (loss) from operations	113,235	(1,119,298)	731,156	356,284
Other income (expense):				
Interest expense	(178,453)	(188,634)	(588,260)	(549,702)
Interest income	8,323	20,341	23,212	28,822
Minority interest	(5,619)	(4,697)	(18,188)	(17,706)
Other income	2,756	8,691	17,319	39,269
	(172,993)	(164,299)	(565,917)	(499,317)
Income (loss) before income taxes	(59,758)	(1,283,597)	165,239	(143,033)
Provision for (benefit from) income taxes	131,084	(335,824)	300,763	139,790
Net loss	$ (190,842)	$ (947,773)	$ (135,524)	$ (282,823)
Basic loss per common share	$ (0.31)	$ (1.53)	$ (0.22)	$ (0.46)
Diluted loss per common share	$ (0.31)	$ (1.53)	$ (0.22)	$ (0.46)
Weighted average number of common shares outstanding	621,505	619,105	621,042	610,857
Weighted average number of common and dilutive potential common shares outstanding	621,505	619,105	621,042	610,857

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

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)
(UNAUDITED)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RESTRICTED STOCK UNEARNED COMPENSATION	TREASURY STOCK
Balance, December 31, 1999	$ --	$6,273	$4,440,159	$ 662,746	$(563,086)	$(3,936)	$ (3,890)
Net loss	--	--	--	(135,524)	--	--	--
Cash dividends declared	--	--	--	(6,221)	--	--	--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit)	--	3	1,296	--	--	(685)	1,847
Earned compensation related to restricted stock	--	--	--	--	--	1,133	--
Common stock issued (purchased) in connection with litigation settlements	--	13	21,709	--	--	--	(1,165)
Adjustment of employee stock benefit trust to market value	--	--	14,306	--	--	--	--
Adjustment for minimum pension liability, net of taxes	--	--	--	--	104,250	--	--
Cumulative translation adjustment of foreign currency statements including effects of divestitures	--	--	--	--	222,287	--	--
Termination of employee stock benefit trust	--	--	--	--	--	--	(149,960)
Other	--	7	17,329	--	--	--	--
Balance, September 30, 2000	$ --	$6,296	$4,494,799	$ 521,001	$(236,549)	$(3,488)	$(153,168)

	EMPLOYEE STOCK BENEFIT TRUST
Balance, December 31, 1999	$(135,654)
Net loss	--
Cash dividends declared	--
Common stock issued upon exercise of stock options and warrants and grants of restricted stock (including tax benefit)	--
Earned compensation related to restricted stock	--
Common stock issued (purchased) in connection with litigation settlements	--
Adjustment of employee stock benefit trust to market value	(14,306)
Adjustment for minimum pension liability, net of taxes	--
Cumulative translation adjustment of foreign currency statements including effects of divestitures	--
Termination of employee stock benefit trust	149,960
Other	--
Balance, September 30, 2000	$ --

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

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
Cash flows from operating activities:		
Net loss	$ (135,524)	$ (282,823)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for bad debts	12,767	202,400
Depreciation and amortization	1,079,332	1,202,735
Deferred income tax provision	182,054	110,940
Net gain on disposal of assets	(6,794)	(6,487)
Minority interest in subsidiaries	18,188	17,706
Effect of asset impairments and unusual items	671,248	602,684
Change in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts receivable and other receivables	215,761	(209,122)
Prepaid expenses and other current assets	(28,277)	97,329
Other assets	4,909	29,392
Accounts payable and accrued liabilities	(365,282)	(285,368)
Deferred revenues and other liabilities	16,319	(264,820)
Other, net	(1,996)	26,479
Net cash provided by operating activities	1,662,705	1,241,045
Cash flows from investing activities:		
Short-term investments	53,735	11,039
Acquisitions of businesses, net of cash acquired	(217,548)	(1,181,833)
Capital expenditures	(913,076)	(876,900)
Proceeds from divestitures of businesses, net of cash divested, and other asset sales	2,123,115	558,918
Other, net	(12,351)	(72,523)
Net cash provided by (used in) investing activities	1,033,875	(1,561,299)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	73,570	3,767,636
Principal payments on long-term debt	(2,803,077)	(3,485,591)
Proceeds from exercise of common stock options and warrants	1,222	175,444
Net cash provided by (used in) financing activities	(2,728,285)	457,489
Effect of exchange rate changes on cash and cash equivalents	(4,855)	(2,246)
Increase (decrease) in cash and cash equivalents	(36,560)	134,989
Cash and cash equivalents at beginning of period	181,357	86,873
Cash and cash equivalents at end of period	$ 144,797	$ 221,862

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

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Net loss	$(190,842)	$(947,773)	$(135,524)	$(282,823)
Other comprehensive income (loss):				
Foreign currency translation adjustment	39,056	62,813	222,287	(41,203)
Minimum pension liability adjustment, net of taxes of $30,432 and $66,371 for the three and nine months ended September 30, 2000, respectively, and net of taxes of $41,920 for the three and nine months ended September 30, 1999	47,800	(65,844)	104,250	(65,844)
Other comprehensive income (loss)	86,856	(3,031)	326,537	(107,047)
Comprehensive income (loss)	$(103,986)	$(950,804)	$ 191,013	$(389,870)

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

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The condensed consolidated financial statements of Waste Management, Inc. and subsidiaries (collectively referred to herein as the "Company", unless the context indicates otherwise) presented herein are unaudited. In the opinion of management, these financial statements include all adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in the Annual Report on Form 10-K for the year ended December 31, 1999.

As previously reported in the Company's Form 10-Q for the quarter ended September 30, 1999 and the Company's Form 10-K for the year ended December 31, 1999, the Company concluded that its internal controls for the preparation of interim financial information during 1999 did not provide an adequate basis for its independent public accountants to complete reviews of the 1999 quarterly financial information in accordance with standards established by the American Institute of Certified Public Accountants.

The Company believes that the processes it used for the preparation of its quarterly 2000 interim financial statements have improved. In addition, the Company has committed substantial resources to mitigate the previously identified control weaknesses. Management believes these efforts have enabled the Company to produce timely and reliable interim financial statements as of September 30, 2000 and for the three and nine months then ended to allow its independent accountants to complete their reviews of the interim financial information for those periods. Management believes that its processes have improved considerably and will continue to improve throughout the remainder of 2000, allowing it to further reduce its reliance on the use of external resources as mitigating controls, although there can be no assurance that this will be the case.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the date of the financial statements and 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. See "Management's Discussion and Analysis" elsewhere herein.

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

1. LONG-TERM DEBT

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

	SEPTEMBER 30, 2000	DECEMBER 31, 1999
Bank credit facilities	$ 397,000	$ 2,250,000
Commercial paper, average interest of 5.5% in 1999	--	21,899
Senior notes and debentures, interest of 6% to 8 3/4% through 2029	6,555,580	6,749,785
4% Convertible subordinated notes due 2002	535,275	535,275
5.75% Convertible subordinated notes due 2005	30,857	426,726
Tax-exempt and project bonds, principal payable in periodic installments, maturing through 2028, fixed and variable interest rates ranging from 5.5% to 9.25% at September 30, 2000	1,251,724	1,234,668
Installment loans, notes payable, and other, interest to 14%, maturing through 2015	236,730	279,735
	9,007,166	11,498,088
Less current maturities	1,016,550	3,098,742
	$7,990,616	$ 8,399,346

At September 30, 2000 the Company had a $1.6 billion syndicated loan facility (the "Syndicated Facility") which expires July 10, 2001 with a one-year extension option and a $1.5 billion senior revolving credit facility (the "Credit Facility"), which matures in August 2002. The Syndicated Facility and Credit Facility are 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 debt and letters of credit, to fund acquisitions, and for working capital purposes.

At September 30, 2000, the Company had borrowings of $397 million under the Syndicated Facility at an average interest rate of 7.6%, and had no borrowings under the Credit Facility. The facility fees were 0.20% and 0.25% per annum under the Syndicated Facility and Credit Facility, respectively, at September 30, 2000. The Company had issued letters of credit of approximately $1.5 billion in the aggregate under the Syndicated Facility and Credit Facility, leaving unused and available aggregate credit capacity of approximately $1.2 billion at September 30, 2000.

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 received from the divestitures pursuant to the Company's strategic plan, including divestitures of its international operations outside North America ("WM International"), domestic non-core operations and selected North American solid waste ("NASW") operations. Specifically, the Company was required to utilize the first $1.5 billion of net proceeds from the divestitures to repay indebtedness, which it has done. Additionally, the Company is required to use 50% of the additional net proceeds up to $2.5 billion from divestitures to repay the indebtedness under the Syndicated and Credit Facilities. Due to these terms, at September 30, 2000, the Company is obligated to utilize approximately $200 million of net proceeds from the remaining scheduled divestitures to repay indebtedness under such facilities. The Company intends to refinance this amount through the use of the Credit Facility and Syndicated Facility and therefore, has classified these borrowings as long-term.

The Company's 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 was redeemable for cash by the Company on March 15, 2000, at $843.03, plus accrued interest through the date of redemption. The notes are callable by the Company for cash, plus accrued stated discount and accrued interest. In addition, each $1,000 principal amount 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 has the option of paying cash equal to the market value of the shares which would otherwise be issuable. Through September 30, 2000, the Company repurchased, for cash, approximately $397 million of these notes that were outstanding at December 31, 1999.

On July 17, 1998, the Company issued $600 million of 6 1/8% mandatorily tendered senior notes, due on July 15, 2011. This debt instrument is 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 Company intends to use borrowings available under the Syndicated Facility and/or the Credit Facility in the event it must purchase the notes on July 15, 2001. Accordingly, these borrowings have been classified as long-term at September 30, 2000.

2. DIVESTITURES

During the third quarter of 1999, the Company's Board of Directors adopted a strategic plan, one element of which is to market for sale its WM International operations, its domestic non-core operations and selected NASW operations. Note 9 to these condensed consolidated financial statements discusses remaining operations held-for-sale which the Company believes will be divested prior to September 30, 2001.

In April 2000, the Company announced that its wholly-owned subsidiaries had completed the previously announced transactions regarding the sales of waste services operations in the Netherlands and Finland for approximately $330 and $100 million, respectively, and the majority interest in Waste Management New Zealand Limited for approximately $100 million. In May 2000, wholly-owned subsidiaries of the Company sold waste services operations in Thailand and its waste services operations in Italy for approximately $70 million. In June 2000, the Company announced that its wholly-owned subsidiaries completed the sales of its waste service operations in Australia for approximately $230 million, and its waste services operations in Germany for approximately $80 million. Additionally, one of the Company's wholly-owned subsidiaries sold substantially all of its nuclear waste services operations located in the United States for approximately $55 million at closing and an additional $10 million for meeting certain post-closing conditions. On July 5, 2000, the Company announced that its wholly-owned subsidiaries had sold operations in Denmark, Slovakia and the Czech Republic for approximately $120 million.

On August 4, 2000, the Company completed the final transaction of its previously announced sale of certain U.S. solid waste assets to Allied Waste Industries, Inc.("Allied"). The sales to Allied, which began in February 2000, consisted of, in the aggregate, 14 collection operations, ten landfill operations, four transfer stations and a landfill operating contract for approximately $191 million. On August 14, 2000, one of the Company's wholly-owned subsidiaries completed the sale of its BioGro operations for approximately $200 million in cash and assumed debt. On August 31, 2000, Waste Management Environmental, LLC, one of the Company's wholly-owned subsidiaries, completed the sale of its 49% interest in Advanced Environmental Services, LLC ("AES") to a subsidiary of Vivendi and the 51% owner in the AES joint venture, for approximately $80 million. On September 22, 2000, one of the Company's wholly-owned subsidiaries completed the sale of its waste services operations in the United Kingdom for approximately $570 million. On September 28, 2000, certain of the Company's wholly-owned subsidiaries completed the sales of collection businesses, landfills and transfer stations located in Texas, Oklahoma, Arkansas, Missouri, Kansas and Nebraska to Waste Corporation of America ("WCA") for approximately $105 million, which includes cash, notes receivable and a long-term prepaid disposal agreement, and the assumption by WCA of certain environmental liabilities.

On August 31, 2000, the Company announced that its wholly-owned subsidiaries had entered into agreements to sell its waste services operations in Hong Kong and its hazardous waste facility in Mexico to a subsidiary of Vivendi for approximately $120 million and $48 million, respectively. Additionally, on September 29, 2000, the Company announced that a wholly-owned subsidiary entered into an agreement to sell its waste services operations in Sweden to Miljoservice Sverige AB and Sydkraft AB for approximately $191 million.

All divestiture activity relates to operations classified as held-for-sale. The following information summarizes the Company's divestiture activity through September 30, 2000 (in thousands):

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	TOTAL
THREE MONTHS ENDED:				
September 30, 2000				
Proceeds(a)	$151,832	$ 652,848	$285,496	$1,090,176
Gain (loss) recorded during the period(b)	2,945	(104,648)	3,814	(97,889)
NINE MONTHS ENDED:				
September 30, 2000				
Proceeds(a)	$284,177	$1,605,417	$350,490	$2,240,084
Gain (loss) recorded during the period(b)	19,102	(252,140)	21,107	(211,931)

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(a) Proceeds includes cash, notes receivable, and assumed debt.

(b) Gain (loss) on sale of operations is included in asset impairments and unusual items. The loss on the sale of certain WM International operations includes amounts related to foreign currency translation, which were not recognized until the divestiture of the respective international market was completed. Additionally, the Company has recorded held-for-sale impairment charges in the third quarter of 2000 and in periods prior to the third quarter of 2000 for operations that were divested during 2000 or are expected to be divested in future periods pursuant to its strategic plan. For the three and nine months ended September 30, 2000, the Company has recorded held-for-sale impairment charges of approximately $182.2 million and $284.6 million, respectively. As discussed in the Company's Form 10-K for the year ended December 31, 1999, the Company recorded $443 million in 1999 of held-for-sale impairments. Held-for-sale impairments are included in asset impairments and unusual items.

3. INCOME TAXES

The difference between the federal income taxes computed at the federal statutory rate and the reported provision for income taxes for the three and nine months ended September 30, 2000 and 1999 is primarily due to state and local income taxes, non-deductible costs related to acquired intangibles, non-deductible held-for-sale impairment charges associated with certain businesses, and non-deductible losses on the divestiture of assets that closed during the respective periods.

4. EARNINGS PER SHARE AND CAPITAL STOCK

The following reconciles the number of common shares outstanding at September 30 of each year indicated to the weighted average number of common shares outstanding and the weighted average number of common and dilutive potential common shares outstanding for the purposes of calculating basic and diluted earnings per common share, respectively (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Number of common shares outstanding at end of period	621,619	619,547	621,619	619,547
Effect of using weighted average common shares outstanding	(114)	(442)	(577)	(8,690)
Weighted average number of common and dilutive potential common shares outstanding	621,505	619,105	621,042	610,857

For the three and nine months ended September 30, 2000 and 1999, the effect of the Company's convertible subordinated notes and debentures are excluded from the diluted earnings per share calculation since the inclusion of such items would be antidilutive.

At September 30, 2000, there were approximately 54.1 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.

In the third quarter of 2000, the Company declared an annual cash dividend of $0.01 per share, or approximately $6.2 million, to stockholders of record on September 30, 2000, which was paid on October 16, 2000.

On July 1, 2000, Waste Management Holdings, Inc. ("WM Holdings") terminated the Waste Management Benefits Stock Trust (the "Trust"). In 1994, the Trust, which was created by WM Holdings, purchased, in exchange for a promissory note, all of the outstanding treasury shares of WM Holdings to fund various company benefit plans. Pursuant to the merger between the Company and WM Holdings in July 1998 (the "WM Holdings Merger"), all of the shares held by the Trust were converted into shares of the Company's common stock. In accordance with the termination of the Trust, the shares previously owned by it were returned to the Company as payment for the outstanding amount of the promissory note. The 7,892,612 shares returned to the Company are classified as treasury shares.

5. 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)	TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance, December 31, 1999	$(430,080)	$(133,006)	$(563,086)
Year-to-date change	222,287	104,250	326,537
Balance, September 30, 2000	$(207,793)	$ (28,756)	$(236,549)

The Company is continuing the process of settling its obligations under the qualified defined benefit plan (the "Plan") for all eligible non-union domestic employees of WM Holdings which was terminated as of October 31, 1999 in connection with the WM Holdings Merger. 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 pension related charge is primarily due to the settlement by the Plan of obligations to certain participants that occurred during 2000. The charge, which is included in asset impairments and unusual items, was approximately $80 million and $170 million for the three and nine months ended September 30, 2000, respectively. The settlements were funded by the Plan's trust and resulted in a reduction in the minimum pension liability and a credit to other comprehensive income for these periods. The Company expects to settle the remaining obligations during the fourth quarter of 2000, at which time the final settlement expense (currently estimated to be approximately $51 million) will be recorded and adjustments to other comprehensive income will be made. In conjunction with the termination of the Plan, the Company made payments of approximately $124 million to the Plan's trust in September of 2000. The Company expects an additional $61 million to be paid by December 31, 2000.

The Company adopted a strategic plan in August 1999, one element of which is to pursue the divestiture of its WM International operations. Upon the divestiture of the Company's WM International operations in each country, the foreign currency translation losses that are included in accumulated other comprehensive income (loss) are recognized in the Company's statement of operations (decreasing any gain, or increasing any loss) with an offsetting adjustment to the accumulated foreign currency translation. The accumulated foreign currency translation loss for the Company's remaining WM International operations which are held-for-sale was $82.8 million and $353.1 million as of September 30, 2000 and December 31, 1999, respectively. See Notes 2 and 12 for further discussion of the Company's divestiture activity.

6. 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 costs required by regulation associated with existing operations at a hazardous waste treatment, storage or disposal facility that 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 ("EPA") 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.

In March 1996, the EPA issued regulations that require large, municipal solid waste landfills with significant emissions of nonmethane organic compounds ("NMOC") to install and monitor systems to collect and control landfill gas. The regulations apply to landfills designed to accommodate 2.5 million cubic meters or more of municipal solid waste that emit 50 megagrams or more of NMOC emissions 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 operations before or after May 30, 1991. In the United States, landfills constructed, reconstructed, modified or first accepting waste after May 30, 1991, generally were required to have systems in place by late 1998 or within approximately 30 months of triggering the applicability criteria. Older landfills are generally regulated by states and are 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 gas collection and control systems.

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 86 sites listed on the Superfund National Priorities List ("NPL") as of September 30, 2000. The Company or its subsidiaries are also the subject of claims made by state or local enforcement agencies. The majority of claims involving NPL sites arise from 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 third 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, information available from regulatory agencies as to costs of remediation, and the number, financial resources and relative degree of responsibility of other PRPs who may be liable for remediation of a specific site, as well as the typical allocation of costs among PRPs. These estimates are sometimes a range of possible outcomes. In 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 the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 5, Accounting for Contingencies.

Estimates of the extent of the Company's share of the costs 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 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 (3% at September 30, 2000 and 2% at December 31, 1999) until expected time of payment and then discounted to present value (6.5% at September 30, 2000 and 5.5% at December 31, 1999). 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.

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.

7. COMMITMENTS AND CONTINGENCIES

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. The insurance policies are issued by a wholly-owned insurance company subsidiary of the Company, the sole business of which is to issue such policies to customers of the Company. 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. See Note 6 for further discussion.

Litigation -- 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. Many actions were brought or claims made against WM Holdings as a result of this restatement, as set forth in earlier quarterly and year-end reports made by the Company. The Company has resolved many of these actions and claims, as discussed in earlier filings.

The following actions with respect to WM Holdings, however, are still outstanding.

In July 1998, a business owner who received WM Holdings common stock in the sale of his business to WM Holdings brought a purported class action against that company alleging breach of warranty. In October 1999, the court 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. In March 2000, the court of appeals upheld this certification order. Also in March 2000, the trial court granted summary judgment on the claim of breach of warranty against WM Holdings and in favor of all members of the class except for a discrete group of plaintiffs whose claims may have expired under applicable statutes of limitations. The class as currently constituted consists of twenty-six transactions. The extent of damages in this class action has not yet been determined.

In March 2000, a group of companies that sold their assets to WM Holdings in exchange for common stock in March 1996 pursuant to an asset purchase agreement (and who otherwise would have been included in the above class, as currently defined), brought a separate action against the Company for breach of contract and fraud, among other things. The parties are engaged in efforts to resolve the dispute. The extent of damages in the underlying dispute has not yet been determined and will ultimately be set by arbitration if a resolution is not reached by the parties.

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. This action is in its early stages and the extent of possible damages, if any, has not yet been determined.

A consolidated derivative action has also been filed in Delaware Chancery Court, nominally on behalf of the Company, against certain former officers and directors of WM Holdings and certain directors of the Company. The derivative plaintiffs seek, among other things, those monies paid by the Company to resolve those claims arising out of WM Holdings' restatement of earnings in February 1998 as well as a declaration that the Company does not have to pay retirement benefits to certain former officers of WM Holdings.

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. Additionally, a third former officer brought a similar action, which was subsequently dismissed without prejudice in March 2000. The Company has reached agreements to settle the disputes between it and each of these former officers.

In addition to the actions with respect to WM Holdings, the following actions with respect to the Company or its other subsidiaries are pending.

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 30 lawsuits that purport to be based on one or more of these announcements were filed against the Company and certain of its current and former 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 current and former 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. On May 8, 2000, the United States District Court for the Southern District of Texas entered an order appointing the Connecticut Retirement Plan and Trust Funds as lead plaintiff in the consolidated cases and appointing the law firm of Goodkind Labaton Rudoff & Suchrow LLP as lead plaintiff's counsel.

The lead plaintiff filed its Amended Consolidated Class Action Complaint (the "Complaint") on July 14, 2000. The Complaint pleads claims on behalf of a putative class consisting of all purchasers of Company securities (including common stock, debentures and call options), and all sellers of put options, from June 11, 1998 through November 9, 1999. The Complaint also pleads additional claims on behalf of two putative subclasses: (i) the "Merger Subclass," consisting of all persons who exchanged WM Holdings shares for the Company's stock when WM Holdings and the Company merged, and (ii) the "Eastern Merger Subclass," consisting of all persons who exchanged Eastern Environmental Services, Inc. ("Eastern") stock for the Company's stock when Eastern and the Company merged on December 31, 1998 (the "Eastern Merger"). Among other things, the plaintiffs allege that the Company and certain of its current and former officers and directors (i) made misrepresentations in the registration statement and prospectus filed with the SEC in connection with the WM Holdings Merger, (ii) made knowingly false earnings projections for the three months ended June 30, 1999, (iii) failed to adequately disclose facts relating to its earnings projections that the plaintiffs allege would have been material to purchasers of the Company's common stock and (iv) made separate and distinct misrepresentations about the Company's operations and finances on and after July 29, 1999, culminating in the Company's taking a pre-tax charge of $1.76 billion in the third quarter of 1999. The plaintiffs also claim that certain of the Company's current and former officers and directors sold common stock between May 10, 1999 and June 9, 1999 at prices allegedly known to have been 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. Defendants filed a motion to dismiss on October 3, 2000. The case is at an early stage and the extent of possible damages, if any, cannot yet be determined.

On June 29, 2000, a putative class action was filed against the Company in Delaware state court by a class of former shareholders of Eastern who exchanged their Eastern shares for the Company's shares in the Eastern Merger. The plaintiffs allege that the Company stock they received in exchange for their Eastern shares was overvalued for the reasons alleged in the consolidated class actions in Texas, described above. The claims and putative class members in this case fall within the scope of the consolidated class actions in Texas. On August 4, 2000, the Company removed the case from the state court to the United States District Court for the District of Delaware and moved to transfer the case to the United States District Court for the Southern District of Texas, where the consolidated Texas class actions are pending. On September 1, 2000, the plaintiffs moved to remand the case to the Delaware state court and asked the Delaware federal court to defer consideration of the Company's transfer motion until it rules on the plaintiffs' remand motion. The Company has opposed the remand motion. All motions currently are pending. The case is at an early stage, and the extent of possible damages, if any, cannot yet be determined.

The Company has been sued in several lawsuits, and an arbitration action has been initiated, by individuals who received common stock in the sales of their businesses to the Company or to a company later acquired by the Company. The arbitration action relates to the sale of a business to Eastern. For reasons similar to those alleged in the class actions described above, or for reasons related to the acquisition of the business by Eastern, the sellers of the business allege that the stock received was overvalued. All of these matters are in an early stage and the extent of possible damages, if any, cannot yet be determined.

In addition, three of the Company's shareholders have filed purported derivative lawsuits against certain current and former 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 Delaware Court of Chancery 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 amended complaint alleges claims relating to the Company's 1999 annual and quarterly earnings, sales of Company stock by certain of the Company's current and former officers and directors, and alleged self-dealing by certain of the Company's current and former officers. 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 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.

As part of the Company's investigation, the Company's Board of Directors authorized its Special Committee I to conduct a full investigation and evaluation of all matters relating to: (i) the reporting of the Company's first and second quarter 1999 operating results; (ii) the sales of the Company's stock by certain current and former corporate officials; and (iii) the allegations made in pending litigation respecting these and certain other matters and to report its findings and recommendations to those members of the Board of Directors it finds are sufficiently disinterested to act upon its findings and recommendations. Following its review of the Special Committees' recommendations, the Board of Directors passed a resolution on September 25, 2000 directing the Company's management and counsel to take appropriate action consistent with the Board's conclusions with respect to the issues under review. These actions included direction to the Company's management and counsel to seek a dismissal of the shareholder derivative actions described above.

Several related shareholders have filed a lawsuit in state court in Texas 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. The case is in an early stage and the extent of damages, if any, cannot yet be determined.

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 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 September 30, 2000, there were three 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"), or similar state laws. The majority of these proceedings involve 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 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 September 30, 2000, the Company or its subsidiaries had been notified that they are potentially responsible parties in connection with 86 locations listed on the NPL. Of the 86 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 69 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 the Company's BioGro business unit. The Company has divested of this business unit, and has been indemnified for any liability as a result of the lawsuit by the purchaser thereof.

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 was based on events that allegedly occurred before the WM Holdings Merger in connection with a WM Holdings landfill development project. The indictment included 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. In October 2000, the Company entered into a settlement with the County pursuant to which all criminal charges filed against the Company and its subsidiaries will be dismissed. In connection with the settlement, one of the Company's subsidiaries agreed to pay $4.95 million into the County's general fund for court and administrative costs incurred by the County in connection with the proceedings and agreed to reimburse the District Attorney and Sheriff's departments for their costs in the investigation. Additionally, as part of the settlement, the County acknowledged that the Company had been named as a defendant in error since the alleged events the proceedings were based on occurred before the WM Holdings Merger and therefore, the Company had no involvement in such events.

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 137 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. The Company and the defendants filed motions for summary judgement with respect to the 12 phase one sites. In August 2000, the court denied four of the defendants' motions while granting one of the Company's motions. The court has not yet ruled on the motions with respect to the remaining seven phase one sites. Currently, no trial date has 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.

8. SEGMENT AND RELATED INFORMATION

NASW operations 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, 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, and South America. As discussed in Note 2, pursuant to the Company's strategic plan, the Company has divested or is actively marketing to sell its WM International operations.

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, the Company's independent power projects, and other non-solid waste services to commercial, industrial and government customers. As discussed in Notes 2 and 12, the Company's non-solid waste management includes business lines that have been divested or are being actively marketed and considered to be held-for-sale.

Summarized financial information concerning the Company's reportable segments as of September 30, 2000 is as follows (in thousands):

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	CORPORATE FUNCTIONS(a)	TOTAL
THREE MONTHS ENDED:					
September 30, 2000					
Net operating revenues(b)............	$2,874,334	$ 131,093	$119,222	$ --	$3,124,649
Earnings before interest and taxes (EBIT)(c), (d), (e), (f)..........	580,845	27,121	11,357	(143,522)	475,801
September 30, 1999					
Net operating revenues(b)............	$2,758,295	$ 442,912	$193,845	$ --	$3,395,052
Earnings (loss) before interest and taxes (EBIT)(c), (d), (f).....	(40,023)	45,562	(10,965)	(402,020)	(407,446)
NINE MONTHS ENDED:					
September 30, 2000					
Net operating revenues(b)............	$8,496,033	$ 756,725	$354,911	$ --	$9,607,669
Earnings before interest and taxes (EBIT)(c), (d), (e), (f)......................	1,719,889	139,992	42,631	(500,108)	1,402,404
September 30, 1999					
Net operating revenues(b)............	$7,956,463	$1,200,716	$633,283	$ --	$9,790,462
Earnings (loss) before interest and taxes (EBIT)(c), (d), (f).....	1,381,045	121,580	24,248	(359,292)	1,167,581

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(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, management of closed landfill and related insurance recovery functions, other typical administrative functions and certain inter-segment transactions.

(b) Non-solid waste revenues are net of inter-segment revenue with NASW of $13.0 million and $28.8 million, for the three and nine months ended September 30, 2000, respectively, and $8.2 million and $40.7 million for the three and nine months ended September 30, 1999, 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 in the Company's Form 10-K for the year ended December 31, 1999.

(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 income below, however, have resulted in adjustments to assets ultimately reflected on segment balance sheets.

(e) As discussed in Note 9, the Company has classified certain operations as held-for-sale. For operations classified as held-for-sale at the beginning of each quarter, the Company suspends depreciation on fixed assets. Had the Company not classified any operations as held-for-sale, depreciation expense would have been greater by $10.3 million and $93.3 million for the three and nine months ended September 30, 2000, respectively.

(f) EBIT is defined as income from operations excluding merger and acquisition related costs and asset impairment and unusual items.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
EBIT, as reported above(a)..........	$ 475,801	$ (407,446)	$1,402,404	$1,167,581
Less:				
Merger and acquisition related costs..........................	--	31,568	--	111,263
Asset impairments and unusual items..........................	362,566	680,284	671,248	700,034
Income (loss) from operations.......	113,235	(1,119,298)	731,156	356,284
Interest expense....................	(178,453)	(188,634)	(588,260)	(549,702)
Interest income.....................	8,323	20,341	23,212	28,822
Minority interest...................	(5,619)	(4,697)	(18,188)	(17,706)
Other income, net...................	2,756	8,691	17,319	39,269
Income (loss) before income taxes...	(59,758)	(1,283,597)	165,239	(143,033)
Provision for (benefit from) income taxes.............................	131,084	(335,824)	300,763	139,790
Net loss............................	$(190,842)	$ (947,773)	$ (135,524)	$ (282,823)

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(a) EBIT is defined as income from operations excluding merger and acquisition related costs and asset impairments and unusual items.

9. 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, its domestic non-core operations and selected NASW operations. Note 2 to these condensed consolidated financial statements discusses operations that have been divested in the year 2000 or announced to be divested in the near future. Note 12 to these condensed consolidated financial statements discusses recent developments with respect to certain operations which have been included within assets held-for-sale as of September 30, 2000.

As discussed in Note 2 to the financial statements in the Company's Form 10-K for the year ended December 31, 1999, the Company has recorded charges to write down certain of these assets. Additionally, the Company recorded a charge for the three months ended September 30, 2000 to asset impairments and unusual items of approximately $182.2 million related primarily to the third quarter 2000 inclusion within assets held-for-sale of the Company's geosynthetic lining manufacturing and installation service operation and the Company's waste-fuel powered independent power plants. The Company has recorded a charge for the nine months ended September 30, 2000 to asset impairments and unusual items of approximately $284.6 million related primarily to the Company's WM International operations, its geosynthetic lining manufacturing and installation service operation and waste-fuel powered independent power plants. These operations had carrying values in excess of management's best estimates of anticipated proceeds. As of September 30, 2000, the primary components remaining within assets held-for-sale consisted of the Company's WM International operations in Hong Kong, Indonesia, Brazil, Argentina, Israel and Sweden; the Company's waste-fuel powered

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

independent power facilities; the Company's geosynthetic lining manufacturing and installation service operation; and certain other non-core and NASW operations. For operations classified as held-for-sale at the beginning of each quarter, the Company suspends depreciation and amortization on the underlying assets. Had the Company not classified any operations as held-for-sale, depreciation expense would have been greater by $10.3 million and $93.3 million for the three and nine months ended September 30, 2000, respectively. These businesses' results of operations are included in revenues and expenses in the accompanying statements of operations.

Operational information included in the statements of operations regarding the businesses classified as operations held-for-sale at September 30, 2000, is as follows (in thousands):

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	TOTAL
THREE MONTHS ENDED:				
September 30, 2000				
Operating revenues	$ 4,075	$ 131,093	$118,681	$ 253,849
Earnings before interest and taxes (EBIT)(a)	(713)	27,121	947	27,355
September 30, 1999				
Operating revenues	$ 4,499	$ 442,912	$116,342	$ 563,753
Earnings before interest and taxes (EBIT)(a)	(1,279)	45,562	4,773	49,056
NINE MONTHS ENDED:				
September 30, 2000				
Operating revenues	$12,435	$ 756,725	$297,935	$1,067,095
Earnings before interest and taxes (EBIT)(a)	(1,640)	139,992	6,420	144,772
September 30, 1999				
Operating revenues	$12,642	$1,200,716	$250,966	$1,464,324
Earnings before interest and taxes (EBIT)(a)	(3,502)	121,580	11,726	129,804

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(a) EBIT is defined as income from operations excluding merger and acquisition related costs and asset impairments and unusual items.

In its condensed consolidated balance sheets, the Company has classified as current operations held-for-sale its remaining WM International operations, its remaining non-core operations and select NASW operations, which management believes will be divested prior to September 30, 2001. The Company has classified as non-current operations held-for-sale its surplus real estate portfolio.

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	TOTAL
As of September 30, 2000:				
Accounts receivable, net	$ --	$ 59,958	$ 95,285	$ 155,243
Other current assets	14	109,278	58,124	167,416
Property and equipment and other non-current assets	91,990	340,635	155,701	588,326
Current maturities of long-term debt	--	(1,919)	(3,164)	(5,083)
Other current liabilities	--	(148,333)	(61,607)	(209,940)
Long-term debt, less current maturities	--	(1,731)	(519)	(2,250)
Other noncurrent liabilities	(8,126)	(73,175)	(45,410)	(126,711)
Minority interest	--	(36,866)	(3,114)	(39,980)
Net operations held-for-sale	$ 83,878	$ 247,847	$ 195,296	$ 527,021

	NORTH AMERICAN SOLID WASTE	WM INTERNATIONAL	NON-SOLID WASTE	TOTAL
Current assets:				
Operations held-for-sale	$ 41,197	$ 509,871	$ 309,110	$ 860,178
Long-term assets:				
Operations held-for-sale (included in other assets)	50,807	--	--	50,807
Current liabilities:				
Operations held-for-sale	(8,126)	(262,024)	(113,814)	(383,964)
Net operations held-for-sale	$ 83,878	$ 247,847	$ 195,296	$ 527,021

At December 31, 1999, the Company classified as current operations held-for-sale its WM International operations and certain domestic operations. The Company classified as non-current operations held-for-sale certain NASW operations, which the Company had committed to sell to Allied, 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

10. NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, which amended certain guidance within SFAS No. 133.

The Company is presently in the process of reviewing its contracts for purposes of assessing the impact of the adoption of SFAS No. 133, as amended, including identifying derivative instruments, determining fair market values of derivatives, designating and documenting hedge relationships, and evaluating the effectiveness of those hedging relationships. As a result of this review, the Company has preliminarily determined that SFAS No. 133 will primarily be applicable to the Company's accounting for commodity swap agreements and interest rate swap agreements. The Company expects that, upon adoption of SFAS No. 133, as amended, the majority of its commodity swap agreements will be designated as cash flow hedges and the majority of its interest rate swap agreements will be designated as fair value hedges. Such treatment will result in the difference between the derivatives' previous carrying amounts and the related fair values being reported in the Company's statement of comprehensive income or included as a component of net income, reflected as a cumulative effect of change in accounting principle, net of income taxes.

The efforts of the Company to date and during the fourth quarter of 2000 will enable the Company to adopt SFAS No. 133, as amended, on January 1, 2001. The efforts of the Company completed to date respecting SFAS No. 133, as amended, have led management to presently conclude the accounting prescribed by SFAS No. 133, as amended, will likely not have a material effect on its statement of financial position or results of operations. However, the actual financial statement impact attributable to the adoption of SFAS No. 133, as amended, may be different than currently anticipated as a consequence of changes in:

(1) certain factors which may directly impact the quantification of fair values of identified derivatives, which include, but are not limited to, changes in interest rates and commodity prices, and

(2) the Company's assessment of its portfolio of derivative instruments resulting from (i) the execution of additional contracts during the fourth quarter of 2000 and (ii) the completion of certain of the Company's efforts respecting the adoption of SFAS No. 133, as amended, during the fourth quarter of 2000.

In December 1999, the SEC released Staff Accounting Bulletin No. 101, "Revenue Recognition" ("SAB No. 101"). SAB No. 101 provides registrants guidance on the recognition, presentation and disclosure of revenue in financial statements, and it is required to be adopted by the Company in the fourth quarter of 2000. Management does not expect that the adoption of SAB No. 101 will have a material effect on its consolidated financial statements.

11. 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 unaudited condensed consolidating balance sheet as of September 30, 2000 and the condensed consolidated balance sheet as of December 31, 1999, the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2000 and 1999, along with the related unaudited statements of cash flows for the nine months ended September 30, 2000 and 1999, have been provided below (in thousands).

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2000
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
ASSETS					
Current assets:					
Cash and cash equivalents...	$ 55,955	$ 9,106	$ 79,736	$ --	$ 144,797
Other current assets........	--	36,604	2,922,823	--	2,959,427
	55,955	45,710	3,002,559	--	3,104,224
Property and equipment, net...	--	--	10,036,218	--	10,036,218
Intercompany and investment in subsidiaries................	9,032,230	5,533,063	(10,512,340)	(4,052,953)	--
Other assets..................	7,674	7,924	6,019,653	--	6,035,251
Total assets........	$9,095,859	$5,586,697	$ 8,546,090	$(4,052,953)	$19,175,693
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt...........	$ 200,000	$ 650,000	$ 166,550	$ --	$ 1,016,550
Accounts payable and other accrued liabilities......	113,597	343,919	2,463,371	--	2,920,887
	313,597	993,919	2,629,921	--	3,937,437
Long-term debt, less current maturities...............	4,153,371	2,515,340	1,321,905	--	7,990,616
Other liabilities...........	--	--	2,604,176	--	2,604,176
Total liabilities...	4,466,968	3,509,259	6,556,002	--	14,532,229
Minority interest in subsidiaries.............	--	--	14,573	--	14,573
Stockholders' equity........	4,628,891	2,077,438	1,975,515	(4,052,953)	4,628,891
Total liabilities and stockholders' equity............	$9,095,859	$5,586,697	$ 8,546,090	$(4,052,953)	$19,175,693

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 1999

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
ASSETS					
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	10,668,727	5,939,729	(13,139,748)	(3,468,708)	--
Other assets	27,004	9,795	6,120,277	--	6,157,076
Total assets	$10,729,421	$5,990,624	$ 9,430,087	$(3,468,708)	$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	4,402,612	1,907,127	1,561,581	(3,468,708)	4,402,612
Total liabilities and stockholders' equity	$10,729,421	$5,990,624	$ 9,430,087	$(3,468,708)	$22,681,424

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2000
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$3,124,649	$ --	$3,124,649
Costs and expenses	--	--	3,011,414	--	3,011,414
Income from operations	--	--	113,235	--	113,235
Other income (expense):					
Interest income (expense), net	(99,615)	(57,571)	(12,944)	--	(170,130)
Equity in subsidiaries, net of taxes	(128,583)	(92,601)	--	221,184	--
Minority interest	--	--	(5,619)	--	(5,619)
Other, net	--	--	2,756	--	2,756
	(228,198)	(150,172)	97,428	221,184	(59,758)
Provision for (benefit from) income taxes	(37,356)	(21,589)	190,029	--	131,084
Net loss	$(190,842)	$(128,583)	$ (92,601)	$221,184	$ (190,842)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 1999
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$ 3,395,052	$ --	$ 3,395,052
Costs and expenses	--	--	4,514,350	--	4,514,350
Loss from operations	--	--	(1,119,298)	--	(1,119,298)
Other income (expense):					
Interest income (expense), net	(95,805)	(66,097)	(6,391)	--	(168,293)
Equity in subsidiaries, net of taxes	(887,895)	(846,584)	--	1,734,479	--
Minority interest	--	--	(4,697)	--	(4,697)
Other, net	--	--	8,691	--	8,691
	(983,700)	(912,681)	(1,121,695)	1,734,479	(1,283,597)
Benefit from income taxes	(35,927)	(24,786)	(275,111)	--	(335,824)
Net loss	$(947,773)	$(887,895)	$ (846,584)	$1,734,479	$ (947,773)

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2000
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$9,607,669	$ --	$9,607,669
Costs and expenses	--	--	8,876,513	--	8,876,513
Income from operations	--	--	731,156	--	731,156
Other income (expense):					
Interest income (expense), net	(345,425)	(178,047)	(41,576)	--	(565,048)
Equity in subsidiaries, net of taxes	80,367	191,647	--	(272,014)	--
Minority interest	--	--	(18,188)	--	(18,188)
Other, net	--	--	17,319	--	17,319
	(265,058)	13,600	688,711	(272,014)	165,239
Provision for (benefit from) income taxes	(129,534)	(66,767)	497,064	--	300,763
Net income (loss)	$(135,524)	$ 80,367	$ 191,647	$(272,014)	$ (135,524)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 1999
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Operating revenues	$ --	$ --	$9,790,462	$ --	$9,790,462
Costs and expenses	--	--	9,434,178	--	9,434,178
Income from operations	--	--	356,284	--	356,284
Other income (expense):					
Interest income (expense), net	(269,972)	(205,321)	(45,587)	--	(520,880)
Equity in subsidiaries, net of taxes	(114,091)	14,235	--	99,856	--
Minority interest	--	--	(17,706)	--	(17,706)
Other, net	--	--	39,269	--	39,269
	(384,063)	(191,086)	332,260	99,856	(143,033)
Provision for (benefit from) income taxes	(101,240)	(76,995)	318,025	--	139,790
Net income (loss)	$(282,823)	$(114,091)	$ 14,235	$99,856	$ (282,823)

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2000
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Cash flows from operating activities:					
Net income (loss)...........	$ (135,524)	$ 80,367	$ 191,647	$(272,014)	$ (135,524)
Equity in earnings of subsidiaries, net of taxes....................	(80,367)	(191,647)	--	272,014	--
Other adjustments and charges..................	38,053	22,481	1,737,695	--	1,798,229
Net cash provided by (used in) operating activities........	(177,838)	(88,799)	1,929,342	--	1,662,705
Cash flows from investing activities:					
Short-term investments......	--	--	53,735	--	53,735
Acquisitions of businesses, net of cash acquired.....	--	--	(217,548)	--	(217,548)
Capital expenditures........	--	--	(913,076)	--	(913,076)
Proceeds from divestitures of businesses, net of cash divested, and other asset sales..............	--	--	2,123,115	--	2,123,115
Other, net..................	--	--	(12,351)	--	(12,351)
Net cash provided by investing activities..................	--	--	1,033,875	--	1,033,875
Cash flows from financing activities:					
Proceeds from issuance of long-term debt...........	40,000	--	33,570	--	73,570
Principal payments on long-term debt................	(1,914,899)	(594,081)	(294,097)	--	(2,803,077)
Proceeds from exercise of common stock options and warrants.................	1,222	--	--	--	1,222
(Increase) decrease in intercompany and investments, net.........	2,073,780	687,490	(2,761,270)	--	--
Net cash provided by (used in) financing activities........	200,103	93,409	(3,021,797)	--	(2,728,285)
Effect of exchange rate changes on cash and cash equivalents.................	--	--	(4,855)	--	(4,855)
Increase (decrease) in cash and cash equivalents........	22,265	4,610	(63,435)	--	(36,560)
Cash and cash equivalents at beginning of period.........	33,690	4,496	143,171	--	181,357
Cash and cash equivalents at end of period...............	$ 55,955	$ 9,106	$ 79,736	$ --	$ 144,797

WASTE MANAGEMENT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 1999
(UNAUDITED)

	PARENT	GUARANTOR	NON-GUARANTOR	ELIMINATIONS	CONSOLIDATION
Cash flows from operating activities:					
Net income (loss)...........	$ (282,823)	$(114,091)	$ 14,235	$ 99,856	$ (282,823)
Equity in earnings of subsidiaries, net of taxes....................	114,091	(14,235)	--	(99,856)	--
Other adjustments and changes..................	13,600	29,392	1,480,876	--	1,523,868
Net cash provided by (used in) operating activities........	(155,132)	(98,934)	1,495,111	--	1,241,045
Cash flows from investing activities:					
Short-term investments......	--	--	11,039	--	11,039
Acquisitions of businesses, net of cash acquired.....	--	--	(1,181,833)	--	(1,181,833)
Capital expenditures........	--	--	(876,900)	--	(876,900)
Proceeds from divestitures of businesses, net of cash divested, and other asset sales....................	--	--	558,918	--	558,918
Other, net..................	--	--	(72,523)	--	(72,523)
Net cash used in investing activities..................	--	--	(1,561,299)	--	(1,561,299)
Cash flows from financing activities:					
Proceeds from issuance of long-term debt...........	3,606,510	--	161,126	--	3,767,636
Principal payments on long-term debt................	(2,942,577)	(148,427)	(394,587)	--	(3,485,591)
Proceeds from exercise of common stock options and warrants.................	175,444	--	--	--	175,444
(Increase) decrease in amounts due to and from subsidiaries, net........	(644,258)	298,388	345,870	--	--
Net cash provided by financing activities.....	195,119	149,961	112,409	--	457,489
Effect of exchange rate changes on cash and cash equivalents..............	--	--	(2,246)	--	(2,246)
Increase in cash and cash equivalents..............	39,987	51,027	43,975	--	134,989
Cash and cash equivalents at beginning of period......	27,726	(48,578)	107,725	--	86,873
Cash and cash equivalents at end of period............	$ 67,713	$ 2,449	$ 151,700	$ --	$ 221,862

12. SUBSEQUENT EVENTS

In October 2000, the Company retired approximately $250 million of senior notes at an interest rate of 6.25% with proceeds from the Syndicated Facility.

On October 31, 2000, one of the Company's wholly-owned subsidiaries completed the sale of its waste services operations in Indonesia for approximately $10 million.

In November 2000, the Company announced that its wholly-owned subsidiary, Wheelabrator Environmental Systems, Inc., has reached agreement to sell eight independent power plants in the United States to Duke Solutions, a wholly-owned subsidiary of Duke Energy, for approximately $81 million. The Company expects the sale to be completed in the fourth quarter of 2000. The Company also announced in November 2000, that its wholly-owned subsidiary had sold its coal services business to The Savage Group for approximately $55 million.

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

The discussion below and elsewhere in this Form 10-Q 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," "could," "should," "expect," "believe," "anticipate," "project," "estimate," "plan," 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 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 prior 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 international operations outside North America ("WM International"), its non-core operations and selected North American solid waste ("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.

General

Waste Management is one of the largest publicly-owned companies providing integrated waste management services 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 has also engaged in hazardous waste management services throughout North America, as well as low-level and other radioactive waste services and other non-solid waste operations. However, these operations have been divested prior to September 30, 2000 or are being marketed for sale pursuant to the Company's strategic plan.

Internationally, the Company has operated throughout Europe, the Pacific Rim, South America and other select markets. Included in the Company's WM 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 has operated 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. As discussed above, the Company is in the process of divesting its WM International operations and as of September 30, 2000 had operations remaining only in Indonesia, Hong Kong, Argentina, Brazil, Israel, and Sweden. However, agreements for the sale of certain of these operations have been entered into or completed since the end of the third quarter 2000. See Notes 2 and 12 to the condensed consolidated financial statements contained elsewhere herein.

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 primarily 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, accruals for future landfill final closure and post-closure costs, and certain operational related insurance 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 certain related insurance costs as well as costs related to the Company's marketing and sales force.

Depreciation and amortization includes (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 50 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 review by the Audit Committee of the Board of Directors. Such exceptions at 30 landfill locations at September 30, 2000 were generally due to opposition to expansion efforts that could impede the expansion project and 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 obtaining landfill 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.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

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

	PERIOD TO PERIOD CHANGE FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999		PERIOD TO PERIOD CHANGE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999	
STATEMENT OF OPERATIONS:				
Operating revenues	$ (270,403)	(8.0)%	$(182,793)	(1.9)%
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	(707,293)	(27.4)	(299,410)	(4.9)
General and administrative	(360,002)	(46.7)	5,197	0.4
Depreciation and amortization	(86,355)	(19.1)	(123,403)	(10.3)
Merger and acquisition related costs	(31,568)	(100.0)	(111,263)	(100.0)
Asset impairments and unusual items	(317,718)	(46.7)	(28,786)	(4.1)
	(1,502,936)	(33.3)	(557,665)	(5.9)
Income (loss) from operations	1,232,533	110.1	374,872	105.2
Other income (expense):				
Interest expense	10,181	5.4	(38,558)	(7.0)
Minority interest	(922)	(19.6)	(482)	(2.7)
Interest and other income, net	(17,953)	(61.8)	(27,560)	(40.5)
	(8,694)	(5.3)	(66,600)	(13.3)
Income (loss) before income taxes	1,223,839	95.3	308,272	215.5
Provision for (benefit from) income taxes	466,908	139.0	160,973	115.2
Net loss	$ 756,931	79.9%	$ 147,299	52.1%

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
STATEMENT OF OPERATIONS:				
Operating revenues	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below)	59.9	76.0	60.1	62.1
General and administrative	13.2	22.7	14.1	13.7
Depreciation and amortization	11.7	13.3	11.2	12.3
Merger and acquisition related costs	--	0.9	--	1.1
Asset impairments and unusual items	11.6	20.1	7.0	7.2
	96.4	133.0	92.4	96.4
Income (loss) from operations	3.6	(33.0)	7.6	3.6
Other income (expense):				
Interest expense	(5.7)	(5.6)	(6.1)	(5.6)
Minority interest	(0.2)	(0.1)	(0.2)	(0.2)
Interest and other income, net	0.4	0.9	0.4	0.7
	(5.5)	(4.8)	(5.9)	(5.1)
Income (loss) before income taxes	(1.9)	(37.8)	1.7	(1.5)
Provision for (benefit from) income taxes	4.2	(9.9)	3.1	1.4
Net loss	(6.1)%	(27.9)%	(1.4)%	(2.9)%

As previously reported in the Company's Form 10-Q for the quarter ended September 30, 1999 and the Company's Form 10-K for the year ended December 31, 1999, the Company concluded that its internal controls for the preparation of interim financial information during 1999 did not provide an adequate basis for its independent public accountants to complete reviews of the 1999 quarterly financial information in accordance with standards established by the American Institute of Certified Public Accountants.

The Company believes that the processes it used for the preparation of its quarterly 2000 interim financial statements have improved. In addition, the Company has committed substantial resources to mitigate the previously identified control weaknesses. Management believes these efforts have enabled the Company to produce timely and reliable interim financial statements as of September 30, 2000 and for the three and nine months then ended to allow its independent public accountants to complete their reviews of the interim financial information for those periods. Management believes that its processes have improved considerably and will continue to improve throughout 2000, allowing it to further reduce its reliance on the use of external resources as mitigating controls, although there can be no assurance that this will be the case.

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 previously discussed, the Company's Board of Directors adopted a plan in 1999 to divest its WM International operations and as of September 30, 2000, had completed the divestiture of all WM International operations, except those in Indonesia, Hong Kong, Brazil, Argentina, Israel, and Sweden.

Additionally, the Company has performed certain non-solid waste services, primarily in North America, such as low-level and other radioactive waste management, waste-fuel powered independent power facilities and a geosynthetic lining manufacturing and installation service operation. However, on June 9, 2000 one of the Company's subsidiaries completed the sale of substantially all of its low-level and other radioactive waste service operations and the remaining operations were sold on August 31, 2000. Additionally, the Company recently announced that one of its wholly-owned subsidiaries has reached an agreement to sell its independent power plants. Furthermore, in the third quarter of 2000, the Company classified its geosynthetic manufacturing and installation service operation as held-for-sale and has begun to actively market this operation.

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, the Company sold a 51% interest in these operations to Vivendi on June 30, 1999 and sold the remaining 49% interest to a subsidiary of Vivendi on August 31, 2000. The Company's retained interest of 49% was accounted for using the equity method of accounting prior to its sale in August 2000.

Operating Revenues

For the three months ended September 30, 2000, the Company's operating revenues decreased $270.4 million or 8.0% and for the nine months ended September 30, 2000, decreased $182.8 million or 1.9% as compared to the respective corresponding 1999 periods. The following table presents the operating revenues by reportable segment for the respective quarters (dollars in millions):

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	2000		1999		2000		1999	
NASW	$2,874.3	92.0%	$2,758.3	81.2%	$8,496.0	88.4%	$7,956.5	81.3%
WM International	131.1	4.2	442.9	13.1	756.8	7.9	1,200.7	12.3
Non-solid waste	119.2	3.8	193.9	5.7	354.9	3.7	633.3	6.4
Operating revenues	$3,124.6	100.0%	$3,395.1	100.0%	$9,607.7	100.0%	$9,790.5	100.0%

The decrease in the Company's operating revenues for the three and nine months ended September 30, 2000 as compared to the corresponding 1999 periods is primarily due to divestitures of WM International and non-solid waste operations, which occurred in 2000. The following table presents the Company's mix of operating revenues from NASW for the respective periods (dollars in millions):

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	2000		1999		2000		1999	
NASW:								
Collection	$1,959.4	57.6%	$1,946.0	59.8%	$ 5,784.8	57.6%	$ 5,630.9	59.8%
Disposal	887.8	26.1	837.5	25.7	2,562.1	25.5	2,437.7	25.9
Transfer	362.5	10.7	309.0	9.4	1,055.3	10.5	889.4	9.4
Recycling and other	190.0	5.6	166.4	5.1	642.6	6.4	462.8	4.9
	3,399.7	100.0%	3,258.9	100.0%	10,044.8	100.0%	9,420.8	100.0%
Intercompany	(525.4)		(500.6)		(1,548.8)		(1,464.3)	
Operating revenues	$2,874.3		$2,758.3		$ 8,496.0		$ 7,956.5	

The increase in operating revenues for the three and nine months ended September 30, 2000 for NASW as compared to the prior year periods is primarily attributable to internal growth of comparable operations. The increase in operating revenues due to internal growth of NASW operations was $82.5 million and $370.1 million, or 3.0% and 4.7%, for the three and nine months ended September 30, 2000, respectively. Internal growth for the three and nine months ended September 30, 2000, respectively, was comprised of 1.3% and 1.5% for pricing increases and 1.7% and 3.2% for volume increases. The improvements in pricing were favorably impacted by the improvements in the commodities markets for recyclable materials as well as a fuel surcharge that was implemented in certain operations during March 2000. Excluding the impact of price increases in the commodity markets for recyclable materials, and the fuel surcharge implemented by the Company, the Company experienced a base price change of 0.6% in the three months ended September 30, 2000, as compared to the prior year period. Additionally, the Company's NASW operating revenues increased

$65.9 million and $242.1 million for the three and nine months ended September 30, 2000, respectively, due to acquisitions primarily of collection operations. However, the increase in operating revenues was partially offset by a decline in operating revenues of $32.8 million and $76.1 for the three and nine months ended September 30, 2000, associated with divestitures of NASW businesses.

The operating revenues from the Company's WM International operations decreased $311.8 million, or 70.4%, for the three months ended September 30, 2000, and $443.9 million, or 36.9%, for the nine months ended September 30, 2000, as compared to the prior year periods. Operating revenues decreased $303.8 million and $477.1 million for the three and nine months ended September 30, 2000, respectively, due to divestitures of certain WM International operations. Operating revenues from the Company's WM International operations were also negatively impacted by fluctuations in foreign currency of $12.3 million and $66.6 million for the three and nine months ended September 30, 2000, respectively. Offsetting these decreases in operating revenues in the Company's WM International operations was internal growth of comparable operations of 1.4% and 2.0% for the three and nine months ended September 30, 2000, respectively.

Operating revenues for non-solid waste services decreased for the three and nine months ended September 30, 2000 as compared to the prior year periods due to divestitures of operations. The Company expects decreasing operating revenues from its non-solid waste operations in future periods as the Company has sold or is actively marketing for sale its remaining non-solid waste operations.

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

Operating costs and expenses decreased $707.3 million or 27.4% and $299.4 million or 4.9% for the three and nine months ended September 30, 2000, respectively, as compared to the prior year periods. As a percentage of operating revenues, operating costs and expenses were 59.9% and 76.0% for the three months ended September 30, 2000 and 1999, respectively, and 60.1% and 62.1% for the nine months ended September 30, 2000 and 1999, respectively. The Company realized certain short-term cost reductions through the first half of 1999 from its integration plan that was adopted in connection with the Company's merger with Waste Management Holdings, Inc. ("WM Holdings") which was completed in July 1998 (the "WM Holdings Merger"). The integration plan included significant employee headcount reductions (particularly 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. 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. As a result, operating costs and expenses increased significantly as a percentage of revenues in the second half of 1999 and early 2000. Additionally, as discussed in the Company's Form 10-K for the year ended December 31, 1999, the Company recorded significant adjustments in the quarter ended September 30, 1999. The Company believes that certain of the charges that were recorded in the third quarter of 1999 may relate to individual prior quarters. If identification of all specific charges attributable to individual periods prior to the third quarter of 1999 were possible, the Company believes that the reported operating costs and expenses for the third quarter of 1999 would have been favorably impacted, and the reported operating costs and expenses for the first and second quarters of 1999 would have been adversely impacted.

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 in 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 a reduction of operating costs and expenses as a percentage of revenues of 0.8% for the nine months ended September 30, 1999.

General and Administrative

General and administrative expenses decreased $360.0 million or 46.7% during the three months ended September 30, 2000, as compared to the prior year period and increased $5.2 million or 0.4% during the nine months ended September 30, 2000 as compared to the prior year period. As a percentage of operating revenues, the Company's general and administrative expenses were 13.2% and 14.1%, and 22.7% and 13.7% for the three and nine months ended September 30, 2000 and 1999, respectively. 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 through the second quarter of 1999. Such cost reductions were substantially offset in the second half of 1999 and the first half of 2000 by the effect of difficulties encountered by the Company in integrating the operations of WM Holdings, including increased administrative costs in field operations attributable to increased costs to perform billing, collections and other administrative functions. Additionally, as discussed in the Company's Form 10-K for the year ended December 31, 1999, the Company recorded significant adjustments in the quarter ended September 30, 1999. The Company believes that certain of the charges that were recorded in the third quarter of 1999 may relate to individual prior quarters. If identification of all specific charges attributable to individual periods prior to the third quarter of 1999 were possible, the Company believes that the reported general and administrative expenses for the third quarter of 1999 would have been favorably impacted, and the reported general and administrative expenses for the first and second quarters of 1999 would have been adversely impacted.

Depreciation and Amortization

Depreciation and amortization expense decreased $86.4 million or 19.1% and $123.4 million or 10.3% for the three and nine months ended September 30, 2000 respectively, as compared to corresponding prior year periods. As a percentage of operating revenues, depreciation and amortization expense was 11.7% and 13.3% for the three months ended September 30, 2000 and 1999, respectively, and 11.2% and 12.3% for the nine months ended September 30, 2000 and 1999, respectively. The decrease in depreciation and amortization expense as a percentage of operating revenues is primarily due to the suspension of depreciation on fixed assets related to certain operations which were held-for-sale. The depreciation suspension for the three and nine months ended September 30, 2000 for these held-for-sale operations was $10.3 million and $93.3 million, or 0.3% and 1.0% of operating revenues, respectively. As compared to the prior year periods, depreciation and amortization expense for the three and nine months ended September 30, 2000 was also reduced by divestitures of operations throughout 2000. However, these decreases in depreciation and amortization expense were partially offset by increased landfill airspace amortization in the three and nine months ended September 30, 2000 due to an increase in disposal volumes at the Company's landfills. Additionally, for the nine months ended September 30, 2000, the Company experienced higher airspace amortization rates as compared to the prior year period, due to its more stringent set of criteria for evaluating the probability of obtaining landfill airspace expansions which was effective as of the third quarter of 1999. Furthermore, as discussed in the Company's Form 10-K for the year ended December 31, 1999, the Company recorded significant adjustments in the quarter ended September 30, 1999. The Company believes that certain of the charges that were recorded in the third quarter of 1999 may relate to individual prior quarters. If identification of all specific charges attributable to individual periods prior to the third quarter of 1999 were possible, the Company believes that the reported depreciation and amortization for the third quarter of 1999 would have been favorably impacted, and the reported depreciation and amortization for the first and second quarters of 1999 would have been adversely impacted.

Merger and Acquisition Related Costs, Asset Impairments and Unusual Items

The Company is continuing the process of settling its obligations under WM Holdings' qualified defined benefit plan (the "Plan"). The Plan was terminated as of October 31, 1999 in connection with the WM Holdings Merger. Termination benefits that were paid to certain plan participants in the nine months ended September 30, 2000 from the trust fund assets of the Plan as well as other customary Plan period costs resulted in a non-cash charge to asset impairments and unusual items of approximately $80.0 million and $170.0 million for the three and nine months ended September 30, 2000, respectively.

Additionally, the Company recorded a charge to asset impairments and unusual items of approximately $97.9 million and $211.9 million for the three and nine months ended September 30, 2000, respectively, related to net gains and losses on operations divested during the respective periods. Furthermore, the Company recorded charges of approximately $182.2 million and $284.6 million for the three and nine months ended September 30, 2000, respectively, for operations held-for-sale that have a carrying value greater than management's best current estimate of anticipated proceeds. The Company monitors operations held-for-sale on an ongoing basis to identify potential further impairments as they arise.

In connection with merger transactions that the Company completed in 1998, the Company incurred $31.6 million and $111.3 million for the three and nine months ended September 30, 1999. Such costs included transitional wages and other reorganizational costs. Offsetting these costs for the nine months ended September 30, 1999 was a cumulative adjustment of $15.6 million primarily to conform accounting methods of the Company's ash monofil landfills to that of its solid waste landfills.

Income (Loss) from Operations

Income from operations was $113.2 million and $731.2 million for the three and nine months ended September 30, 2000, respectively, as compared to a loss of $1.1 billion and income of $356.3 million for the corresponding periods of 1999.

Other Income and Expenses

Other income and expenses consists of interest expense, interest income, other income and minority interest. The most significant of these is interest expense. The increase in interest expense for the nine months ended September 30, 2000, as compared to the prior year nine month period, is primarily due to the decline in the Company's public credit ratings during the last half of 1999. This decline caused the Company to increase the use of its bank credit facilities instead of the previously used commercial paper program, which resulted in increased borrowing rates. The increase was also due to a general market increase in interest rates since the third quarter of 1999. The decline in interest expense during the three months ended September 30, 2000 as compared to the prior year third quarter is due primarily to the Company's overall debt reduction in 2000. Additionally contributing to period to period changes in interest expense is the amount of interest that the Company has capitalized during these periods. The Company capitalized interest of $6.4 million and $29.7 million in the three and nine months ended September 30, 1999, respectively as compared to $5.9 million and $15.2 million during three and nine months ended September 30, 2000, respectively.

Provision for (Benefit From) Income Taxes

The Company recorded a provision for income taxes of $131.1 million and $300.8 million for the three and nine months ended September 30, 2000, respectively. The Company recorded a benefit of $335.8 million and a provision of $139.8 million for the three and nine months ended September 30, 1999, respectively. The difference between the federal income taxes computed at the federal statutory rate and the reported provision for income taxes for the three and nine months ended September 30, 2000 is primarily due to state and local income taxes, non-deductible costs related to acquired intangibles, non-deductible held-for-sale impairment charges associated with certain businesses, and non-deductible losses on the divestiture of assets that closed during the respective periods. Excluding non-deductible held-for-sale impairment charges associated with certain businesses, non-deductible losses on the divestiture of assets that closed during the respective periods, and other unusual items, the Company recorded a tax provision of 40.1% and 41.1% of pre-tax income for the three and nine months ended September 30, 2000, respectively.

Net Loss

For the three and nine months ended September 30, 2000, net loss was $190.8 million and $135.5 million, respectively, as compared to losses of $947.8 million and $282.8 million for the respective prior periods.

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 its WM International operations, its non-core operations and selected NASW operations. The proceeds from these dispositions, which are primarily expected to be realized in 2000 and the first part of 2001, have been and are expected to continue to be utilized for debt repayment, repurchase of shares or selected tuck-in acquisitions. Although the Company has unused and available credit capacity under its domestic bank facilities of $1.2 billion at September 30, 2000 and $1.0 billion at November 3, 2000, the Company expects reductions in bank line availability as debt levels are decreased in connection with the strategic plan. In connection with its strategic plan, the Company's acquisition activity has decreased as compared to prior years and the divestiture activity has increased. As such, the Company's level of capital expenditures is expected to decline along with its needs for large amounts of credit capacity.

Under the terms of the Company's $1.6 billion syndicated loan facility (the "Syndicated Facility") and its $1.5 billion senior revolving credit facility (the "Credit Facility"), the Company is obligated to repay its indebtedness under such facilities with the cash proceeds to be received from divestitures pursuant to the Company's strategic plan, including divestitures of its WM International operations, domestic non-core operations and selected NASW operations. Specifically, the Company was required to utilize the first $1.5 billion of net proceeds from the divestitures to repay indebtedness, which it has done. Additionally, the Company is required to use 50% of the additional net proceeds greater than $1.5 billion and up to $2.5 billion from divestitures to repay the indebtedness under the Syndicated and Credit Facilities. As of September 30, 2000, the Company had received proceeds of approximately $2.1 billion from its divestitures, approximately $175 million of which was used to repay the Company's Eurocurrency facilities in the second quarter of 2000, approximately $100 million was used for repayment of divestiture subsidiary debts and approximately $1.9 billion of which has been used to repay indebtedness under the domestic facilities. Due to these terms, at September 30, 2000, the Company is obligated to utilize approximately $200 million of net proceeds from the remaining scheduled divestitures to repay indebtedness under such facilities. The Company intends to refinance this amount through the use of the Credit Facility and Syndicated Facility and therefore, has classified these borrowings as long-term.

As of September 30, 2000, the Company had a working capital deficit of $833.2 million (a ratio of current assets to current liabilities of 0.79:1) and a cash balance of $144.8 million, which compares to a working capital deficit of $1.3 billion (a ratio of current assets to current liabilities of 0.83:1) and a cash balance of $181.4 million at December 31, 1999. For the nine months ended September 30, 2000, cash used to acquire businesses of $217.5 million, capital expenditures of $913.1 million and net debt reductions of approximately $2.7 billion were primarily financed with cash flows from operating activities of $1.7 billion and proceeds from the sale of assets of $2.1 billion. Favorably impacting cash flows from operations for the nine months ended September 30, 2000 was a tax refund of approximately $200 million and improvements in the Company's accounts receivable average days sales outstanding. For the nine months ended September 30, 1999, cash used to acquire businesses of $1.2 billion and capital expenditures of $876.9 were primarily financed with cash flows from operating activities of $1.2 billion, proceeds from the sale of assets of $558.9 million, and net debt proceeds of $282.0 million.

Through September 30, 2000, the Company repurchased, for cash, approximately $397 million of its 5.75% convertible subordinated notes due 2005 that were outstanding at December 31, 1999 with funds available from internally generated cash flows and its domestic credit facilities. In October 2000, the Company retired approximately $250 million of senior notes at an interest rate of 6.25% with proceeds from the Syndicated Facility.

On July 17, 1998, the Company issued $600 million of 6 1/8% mandatorily tendered senior notes, due on July 15, 2011. This debt instrument is 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 Company intends to use borrowings available under the Syndicated Facility and/or the Credit Facility in the event it must purchase the notes on July 15, 2001. Accordingly, these borrowings have been classified as long-term at September 30, 2000.

As described in Note 5 to the consolidated financial statements contained elsewhere herein, the Company funded approximately $124.0 million to the trust of WM Holdings' qualified defined benefit plan in September of 2000. The Company expects to settle its remaining obligations in conjunction with the termination of the plan during the fourth quarter of 2000 at which time the Company expects to make payments of approximately $61.0 million to the plan's trust.

As a result of financial difficulties experienced during the second quarter of 2000 by one of the Company's surety bond providers, it became necessary for the Company to obtain replacement bonding for this surety's financial assurance bonds. Arrangements for replacement financial assurance have been completed and the Company has available sufficient surety capacity to meet its ongoing operating requirements.

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 86 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 non-existence 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.

RECENT DEVELOPMENTS

In August 2000, the Company announced its agreement with Reliant Energy to develop 12 landfill gas-to-energy projects in Texas. Pursuant to the agreement, the Company will gather, transport and deliver landfill gas to Reliant Energy at each electric generation facility, which are being built at the Company's landfill sites. The 12 "Green Power" projects are expected to produce a total of 44 megawatts of electricity, enough to power approximately 13,000 homes. Additionally, in September 2000, the Company announced an agreement to sell 2.5 megawatts of electricity from the Monroe Livingston Power Production Plant in Scottsville, N.Y. to Energy Cooperative of New York, Inc. The "Green Power" source is landfill gas from the Company's Monroe Livingston landfill, which is used to fuel engines, which, in turn, generate electricity.

In September 2000, two of the Company's wholly-owned subsidiaries entered into a Final Project Agreement with the U.S. Environmental Protection Agency and the Virginia Department of Environmental Quality for waste treatment projects at two landfills in Virginia. The projects are part of the EPA's Project XL program, a national pilot program that allows state and local governments, businesses and federal facilities to work with the EPA in developing innovative strategies to test better or more cost-effective ways of achieving environmental and public health protection.

On September 28, 2000, the Company announced that one of its wholly-owned subsidiaries has entered into an agreement to sell its operations in Sweden to Miljoservice Svergige AB, a subsidiary of SITA, and Sydkraft AB, for approximately $191 million. The sale, which is expected to close in the fourth quarter of 2000, is subject to the approval of regulatory authorities and customary conditions.

In October 2000, the Company announced that it and Sony Electronics were launching an electronics recycling program in the State of Minnesota. The "Sony Only" program is a five-year agreement in which residential and commercial customers are encouraged to bring their old Sony electronic items to designated drop-off points for recycling at no cost. Also in October 2000, the Company announced that it has signed an agreement with the U.S. Environmental Protection Agency to research and develop landfill bioreactor and biocover projects. Phase I of the five-year agreement begins with projects at the Company's Outer Loop Recycling and Disposal Facility in Louisville, Kentucky.

On October 31, 2000, one of the Company's wholly-owned subsidiaries sold its waste services operations in Indonesia for approximately $10 million.

In November 2000, the Company announced that its wholly-owned subsidiary, Wheelabrator Environmental Systems Inc., has reached agreement to sell eight independent power plants in the United States to Duke Solutions, a wholly-owned subsidiary of Duke Energy, for approximately $81 million. The Company expects the sale to be completed in the fourth quarter. The Company also announced in November 2000 that its wholly-owned subsidiary had sold its coal services business to The Savage Companies for approximately $55 million. Finally, in November 2000, the Company announced that its wholly-owned subsidiary, Container Recycling Alliance, L.P., will open a glass recycling facility for Gallo Glass Company by February 2001 to meet Gallo's specifications of zero-tolerance for non-glass materials.

SEASONALITY AND INFLATION

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

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

NEW ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. In June 1999, the FASB issued SFAS No. 137, which deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, which amended certain guidance within SFAS No. 133.

The Company is presently in the process of reviewing its contracts for purposes of assessing the impact of the adoption of SFAS No. 133, as amended, including identifying derivative instruments, determining fair market values of derivatives, designating and documenting hedge relationships, and evaluating the effectiveness of those hedging relationships. As a result of this review, the Company has preliminarily determined that

SFAS No. 133 will primarily be applicable to the Company's accounting for commodity swap agreements and interest rate swap agreements. The Company expects that, upon adoption of SFAS No. 133, as amended, the majority of its commodity swap agreements will be designated as cash flow hedges and the majority of its interest rate swap agreements will be designated as fair value hedges. Such treatment will result in the difference between the derivatives' previous carrying amounts and the related fair values being reported in the Company's statement of comprehensive income or included as a component of net income, reflected as a cumulative effect of change in accounting principle, net of income taxes.

The efforts of the Company to date and during the fourth quarter of 2000 will enable the Company to adopt SFAS No. 133, as amended, on January 1, 2001. The efforts of the Company completed to date respecting SFAS No. 133, as amended, have led management to presently conclude the accounting prescribed by SFAS No. 133, as amended, will likely not have a material effect on its statement of financial position or results of operations. However, the actual financial statement impact attributable to the adoption of SFAS No. 133, as amended, may be different than currently anticipated as a consequence of changes in:

(1) certain factors which may directly impact the quantification of fair values of identified derivatives, which include, but are not limited to, changes in interest rates and commodity prices, and

(2) the Company's assessment of its portfolio of derivative instruments resulting from (i) the execution of additional contracts during the fourth quarter of 2000 and (ii) the completion of certain of the Company's efforts respecting the adoption of SFAS No. 133, as amended, during the fourth quarter of 2000.

In December 1999, the SEC released Staff Accounting Bulletin No. 101, "Revenue Recognition" ("SAB No. 101"). SAB No. 101 provides registrants guidance on the recognition, presentation and disclosure of revenue in financial statements, and it is required to be adopted by the Company in the fourth quarter of 2000. Management does not expect that the adoption of SAB No. 101 will have a material effect on its consolidated financial statements.

PART II.

ITEM 1. LEGAL PROCEEDINGS.

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. Many actions were brought or claims made against WM Holdings as a result of this restatement, as set forth in earlier quarterly and year-end reports made by the Company. The Company has resolved many of these actions and claims, as discussed in earlier filings.

The following actions with respect to WM Holdings, however, are still outstanding.

In July 1998, a business owner who received WM Holdings common stock in the sale of his business to WM Holdings brought a purported class action against that company alleging breach of warranty. In October 1999, the court 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. In March 2000, the court of appeals upheld this certification order. Also in March 2000, the trial court granted summary judgment on the claim of breach of warranty against WM Holdings and in favor of all members of the class except for a discrete group of plaintiffs whose claims may have expired under applicable statutes of limitations. The class as currently constituted consists of twenty-six transactions. The extent of damages in this class action has not yet been determined.

In March 2000, a group of companies that sold their assets to WM Holdings in exchange for common stock in March 1996 pursuant to an asset purchase agreement (and who otherwise would have been included in the above class, as currently defined), brought a separate action against the Company for breach of contract and fraud, among other things. The parties are engaged in efforts to resolve the dispute. The extent of damages in the underlying dispute has not yet been determined and will ultimately be set by arbitration if a resolution is not reached by the parties.

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. This action is in its early stages and the extent of possible damages, if any, has not yet been determined.

A consolidated derivative action has also been filed in Delaware Chancery Court, nominally on behalf of the Company, against certain former officers and directors of WM Holdings and certain directors of the Company. The derivative plaintiffs seek, among other things, those monies paid by the Company to resolve those claims arising out of WM Holdings' restatement of earnings in February 1998 as well as a declaration that the Company does not have to pay retirement benefits to certain former officers of WM Holdings.

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. Additionally, a third former officer brought a similar action, which was subsequently dismissed without prejudice in March 2000. The Company has reached agreements to settle the disputes between it and each of these former officers.

In addition to the actions with respect to WM Holdings, the following actions with respect to the Company or its other subsidiaries are pending.

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 30 lawsuits that purport to be based on one or more of these announcements were filed against the Company and certain of its current and former 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 current and former 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. On May 8, 2000, the United States District Court for the Southern District of Texas entered an order appointing the Connecticut Retirement Plan and Trust Funds as lead plaintiff in the consolidated cases and appointing the law firm of Goodkind Labaton Rudoff & Suchrow LLP as lead plaintiff's counsel.

The lead plaintiff filed its Amended Consolidated Class Action Complaint (the "Complaint") on July 14, 2000. The Complaint pleads claims on behalf of a putative class consisting of all purchasers of Company securities (including common stock, debentures and call options), and all sellers of put options, from June 11, 1998 through November 9, 1999. The Complaint also pleads additional claims on behalf of two putative subclasses: (i) the "Merger Subclass," consisting of all persons who exchanged WM Holdings shares for the Company's stock when WM Holdings and the Company merged, and (ii) the "Eastern Merger Subclass," consisting of all persons who exchanged Eastern Environmental Services, Inc. ("Eastern") stock for the Company's stock when Eastern and the Company merged on December 31, 1998 (the "Eastern Merger"). Among other things, the plaintiffs allege that the Company and certain of its current and former officers and directors (i) made misrepresentations in the registration statement and prospectus filed with the SEC in connection with the WM Holdings Merger, (ii) made knowingly false earnings projections for the three months ended June 30, 1999, (iii) failed to adequately disclose facts relating to its earnings projections that the plaintiffs allege would have been material to purchasers of the Company's common stock and (iv) made separate and distinct misrepresentations about the Company's operations and finances on and after July 29, 1999, culminating in the Company's taking a pre-tax charge of $1.76 billion in the third quarter of 1999. The plaintiffs also claim that certain of the Company's current and former officers and directors sold common stock between May 10, 1999 and June 9, 1999 at prices allegedly known to have been 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. Defendants filed a motion to dismiss on October 3, 2000. The case is at an early stage and the extent of possible damages, if any, cannot yet be determined.

On June 29, 2000, a putative class action was filed against the Company in Delaware state court by a class of former shareholders of Eastern who exchanged their Eastern shares for the Company's shares in the Eastern Merger. The plaintiffs allege that the Company stock they received in exchange for their Eastern shares was overvalued for the reasons alleged in the consolidated class actions in Texas, described above. The claims and putative class members in this case fall within the scope of the consolidated class actions in Texas. On August 4, 2000, the Company removed the case from the state court to the United States District Court for the District of Delaware and moved to transfer the case to the United States District Court for the Southern District of Texas, where the consolidated Texas class actions are pending. On September 1, 2000, the plaintiffs moved to remand the case to the Delaware state court and asked the Delaware federal court to defer consideration of the Company's transfer motion until it rules on the plaintiffs' remand motion. The Company has opposed the remand motion. All motions currently are pending. The case is at an early stage, and the extent of possible damages, if any, cannot yet be determined.

The Company has been sued in several lawsuits, and an arbitration action has been initiated, by individuals who received common stock in the sales of their businesses to the Company or to a company later acquired by the Company. The arbitration action relates to the sale of a business to Eastern. For reasons similar to those alleged in the class actions described above, or for reasons related to the acquisition by the business by Eastern, the sellers of the business allege that the stock received was overvalued. All of these matters are in an early stage and the extent of possible damages, if any, cannot yet be determined.

In addition, three of the Company's shareholders have filed purported derivative lawsuits against certain current and former 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 Delaware Court of Chancery 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 amended complaint alleges claims relating to the Company's 1999 annual and quarterly earnings, sales of Company stock by certain of the Company's current and former officers and directors, and alleged self-dealing by certain of the Company's current and former officers. 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 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.

As part of the Company's investigation, the Company's Board of Directors authorized its Special Committee I to conduct a full investigation and evaluation of all matters relating to: (i) the reporting of the Company's first and second quarter 1999 operating results; (ii) the sales of the Company's stock by certain current and former corporate officials; and (iii) the allegations made in pending litigation respecting these and certain other matters and to report its findings and recommendations to those members of the Board of Directors it finds are sufficiently disinterested to act upon its findings and recommendations. Following its review of the Special Committees' recommendations, the Board of Directors passed a resolution on September 25, 2000 directing the Company's management and counsel to take appropriate action consistent with the Board's conclusions with respect to the issues under review. These actions included direction to the Company's management and counsel to seek a dismissal of the shareholder derivative actions described above.

Several related shareholders have filed a lawsuit in state court in Texas 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. The case is in an early stage and the extent of damages, if any, cannot yet be determined.

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 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 September 30, 2000, there were three 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"), or similar state laws. The majority of these proceedings involve 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 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 September 30, 2000, the Company or its subsidiaries had been notified that they are potentially responsible parties in connection with 86 locations listed on the NPL. Of the 86 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 69 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 the Company's BioGro business unit. The Company has divested of this business unit, and has been indemnified for any liability as a result of the lawsuit by the purchaser thereof.

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 was based on events that allegedly occurred before the WM Holdings Merger in connection with a WM Holdings landfill development project. The indictment included 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. In October 2000, the Company entered into a settlement with the County pursuant to which all criminal charges filed against the Company and its subsidiaries will be dismissed. In connection with the settlement, one of the Company's subsidiaries agreed to pay $4.95 million into the County's general fund for court and administrative costs incurred by the County in connection with the proceedings and agreed to reimburse the District Attorney and Sheriff's departments for their costs in the investigation. Additionally, as part of the settlement, the County acknowledged that the Company had been named as a defendant in error since the alleged events the proceedings were based on occurred before the WM Holdings Merger and therefore, the Company had no involvement in such events.

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 137 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. The Company and the defendants filed motions for summary judgement with respect to the 12 phase one sites. In August 2000, the court denied four of the defendants' motions while granting one of the Company's motions. The court has not yet ruled on the motions with respect to the remaining seven phase one sites. Currently, no trial date has 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.

None.

ITEM 5. OTHER INFORMATION.

None.

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

(a) Exhibits:

EXHIBIT NO.*	DESCRIPTION
12	-- Computation of Ratio of Earnings to Fixed Charges.
27	-- Financial Data Schedule.

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

(b) Reports on Form 8-K:

None.

SIGNATURES

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

WASTE MANAGEMENT, INC.

By: /s/ WILLIAM L. TRUBECK

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

WASTE MANAGEMENT, INC.

By: /s/ BRUCE E. SNYDER

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

Date: November 8, 2000

INDEX TO EXHIBITS

EXHIBIT NO.*	DESCRIPTION
12	-- Computation of Ratio of Earnings to Fixed Charges.
27	-- Financial Data Schedule.

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

EXHIBIT 12

WASTE MANAGEMENT, INC.

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

	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 1999
Income before income taxes and minority interests	$ 183,427	$ (125,327)
Fixed charges deducted from income:		
Interest expense	588,260	549,702
Implicit interest in rents	49,371	46,884
	637,631	596,586
Earnings available for fixed charges	$ 821,058	$ 471,259
Interest expense	$ 588,260	$ 549,702
Capitalized interest	15,196	29,708
Implicit interest in rents	49,371	46,884
Total fixed charges	$ 652,826	$ 626,294
Ratio of earnings to fixed charges	1.3X	N/A(1)

(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 $155.0 million were needed to have a one-to-one ratio. The earnings available for fixed charges were negatively impacted by merger cost of $111.3 million and unusual items of $700.0 million related primarily to the merger between Waste Management, Inc. and Waste Management Holdings, Inc. in July 1998.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
144,797
0
1,751,990
(150,753)
75,031
3,104,224
16,985,904
(6,949,685)
19,175,693
3,937,437
7,990,616
0
0
6,296
4,622,595
19,175,693
9,607,669
9,607,669
0
8,876,513
0
0
(588,260)
165,239
300,763
(135,524)
0
0
0
(135,524)
(0.22)
(0.22)