SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2008

OR

o **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 ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ☑

The number of shares of Common Stock, $0.01 par value, of the registrant outstanding at October 27, 2008 was 490,571,189 (excluding treasury shares of 139,711,272).

PART I.

Item 1. ***Financial Statements.***

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In Millions, Except Share and Par Value Amounts)

	September 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 504	$ 348
Accounts receivable, net of allowance for doubtful accounts of $39 and $46, respectively	1,670	1,674
Other receivables	146	218
Parts and supplies	113	103
Deferred income taxes	41	51
Other assets	119	86
Total current assets	2,593	2,480
Property and equipment, net of accumulated depreciation and amortization of $13,285 and $12,844, respectively	11,291	11,351
Goodwill	5,493	5,406
Other intangible assets, net	147	124
Other assets	819	814
Total assets	$ 20,343	$ 20,175
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 666	$ 656
Accrued liabilities	1,070	1,151
Deferred revenues	454	462
Current portion of long-term debt	816	329
Total current liabilities	3,006	2,598
Long-term debt, less current portion	7,613	8,008
Deferred income taxes	1,466	1,411
Landfill and environmental remediation liabilities	1,372	1,312
Other liabilities	686	744
Total liabilities	14,143	14,073
Minority interest in subsidiaries and variable interest entities	304	310
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 1,500,000,000 shares authorized; 630,282,461 shares issued	6	6
Additional paid-in capital	4,548	4,542
Retained earnings	5,547	5,080
Accumulated other comprehensive income	182	229
Treasury stock at cost, 139,727,949 and 130,163,692 shares, respectively	(4,387)	(4,065)
Total stockholders' equity	5,896	5,792
Total liabilities and stockholders' equity	$ 20,343	$ 20,175

See notes to the Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Millions, Except Per Share Amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Operating revenues	$ 3,525	$ 3,403	$ 10,280	$ 9,949
Costs and expenses:				
Operating	2,221	2,143	6,494	6,269
Selling, general and administrative	369	365	1,095	1,061
Depreciation and amortization	326	331	941	963
Restructuring	—	—	—	10
(Income) expense from divestitures, asset impairments and unusual items	(23)	(1)	(25)	(33)
	2,893	2,838	8,505	8,270
Income from operations	632	565	1,775	1,679
Other income (expense):				
Interest expense	(114)	(128)	(341)	(395)
Interest income	5	10	14	39
Equity in net earnings (losses) of unconsolidated entities	—	1	(4)	(45)
Minority interest	(13)	(12)	(33)	(33)
Other, net	1	—	2	2
	(121)	(129)	(362)	(432)
Income before income taxes	511	436	1,413	1,247
Provision for income taxes	201	158	544	393
Net income	$ 310	$ 278	$ 869	$ 854
Basic earnings per common share	$ 0.63	$ 0.54	$ 1.76	$ 1.64
Diluted earnings per common share	$ 0.63	$ 0.54	$ 1.75	$ 1.62
Cash dividends declared per common share	$ 0.27	$ 0.24	$ 0.81	$ 0.72

See notes to the Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)
(Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities:		
Net income	$ 869	$ 854
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for bad debts	32	27
Depreciation and amortization	941	963
Deferred income tax provision	83	53
Minority interest	33	33
Equity in net (earnings) losses of unconsolidated entities, net of distributions	1	33
Net gain from disposal of assets	(25)	(23)
Effect of (income) expense from divestitures, asset impairments and unusual items	(25)	(33)
Excess tax benefits associated with equity-based transactions	(7)	(26)
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	35	(16)
Other current assets	(29)	(13)
Other assets	2	6
Accounts payable and accrued liabilities	12	27
Deferred revenues and other liabilities	(20)	(39)
Net cash provided by operating activities	1,902	1,846
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(230)	(86)
Capital expenditures	(787)	(721)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	92	235
Purchases of short-term investments	—	(1,221)
Proceeds from sales of short-term investments	—	1,288
Net receipts from restricted trust and escrow accounts	142	121
Other	7	(23)
Net cash used in investing activities	(776)	(407)
Cash flows from financing activities:		
New borrowings	1,091	439
Debt repayments	(1,206)	(658)
Common stock repurchases	(410)	(1,059)
Cash dividends	(399)	(374)
Exercise of common stock options and warrants	36	137
Excess tax benefits associated with equity-based transactions	7	26
Minority interest distributions paid	(33)	(16)
Other	(56)	(14)
Net cash used in financing activities	(970)	(1,519)
Effect of exchange rate changes on cash and cash equivalents	—	3
Increase (decrease) in cash and cash equivalents	156	(77)
Cash and cash equivalents at beginning of period	348	614
Cash and cash equivalents at end of period	$ 504	$ 537

See notes to the Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In Millions, Except Shares in Thousands)
(Unaudited)

	Common Stock Shares	Common Stock Amounts	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amounts
Balance, December 31, 2006	630,282	$ 6	$ 4,513	$ 4,410	$ 129	(96,599)	$ (2,836)
Net income	—	—	—	1,163	—	—	—
Cash dividends declared	—	—	—	(495)	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	—	—	30	(2)	—	6,067	182
Common stock repurchases	—	—	—	—	—	(39,946)	(1,421)
Unrealized losses resulting from changes in fair values of derivative instruments, net of taxes of $22	—	—	—	—	(34)	—	—
Realized losses on derivative instruments reclassified into earnings, net of taxes of $30	—	—	—	—	47	—	—
Unrealized losses on marketable securities, net of taxes of $3	—	—	—	—	(5)	—	—
Translation adjustment of foreign currency statements	—	—	—	—	89	—	—
Change in funded status of defined benefit plan liabilities, net of taxes of $3	—	—	—	—	3	—	—
Cumulative effect of change in accounting principle	—	—	—	4	—	—	—
Other	—	—	(1)	—	—	314	10
Balance, December 31, 2007	630,282	$ 6	$ 4,542	$ 5,080	$ 229	(130,164)	$ (4,065)
Net income	—	—	—	869	—	—	—
Cash dividends declared	—	—	—	(399)	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	—	—	6	(3)	—	2,818	88
Common stock repurchases	—	—	—	—	—	(12,390)	(410)
Unrealized gains resulting from changes in fair values of derivative instruments, net of taxes of $8	—	—	—	—	12	—	—
Realized gains on derivative instruments reclassified into earnings, net of taxes of $6	—	—	—	—	(10)	—	—
Unrealized losses on marketable securities, net of taxes of $2	—	—	—	—	(4)	—	—
Translation adjustment of foreign currency statements	—	—	—	—	(45)	—	—
Other	—	—	—	—	—	8	—
Balance, September 30, 2008	630,282	$ 6	$ 4,548	$ 5,547	$ 182	(139,728)	$ (4,387)

See notes to the Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The Condensed Consolidated Financial Statements presented in this report include the accounts of Waste Management, Inc., a Delaware corporation, our wholly-owned and majority-owned subsidiaries and certain variable interest entities for which we have determined that we are the primary beneficiary. Waste Management, Inc. is a holding company and all operations are conducted by subsidiaries. When the terms "the Company," "we," "us" or "our" are used in this document, those terms refer to Waste Management, Inc., its consolidated subsidiaries and consolidated variable interest entities. When we use the term "WMI," we are referring only to the parent holding company.

WMI was incorporated in Oklahoma in 1987 under the name "USA Waste Services, Inc." and was reincorporated as a Delaware company in 1995. In a 1998 merger, the Illinois-based waste services company formerly known as Waste Management, Inc. became a wholly-owned subsidiary of WMI and changed its name to Waste Management Holdings, Inc. ("WM Holdings"). At the same time, our parent holding company changed its name from USA Waste Services to Waste Management, Inc. Like WMI, WM Holdings is a holding company and all operations are conducted by subsidiaries. For detail on the financial position, results of operations and cash flows of WMI, WM Holdings and their subsidiaries, see Note 12.

We manage and evaluate our principal operations through six operating Groups, of which four are organized by geographic area and two are organized by function. The geographic Groups include our Eastern, Midwest, Southern and Western Groups, and the two functional Groups are our Wheelabrator Group, which provides waste-to-energy services, and our WM Recycle America, or WMRA, Group. We also provide additional waste management services that are not managed through our six Groups, which are presented in this report as "Other." Refer to Note 9 for additional information related to our segments.

The Condensed Consolidated Financial Statements as of and for the three and nine months ended September 30, 2008 and 2007 are unaudited. In the opinion of management, these financial statements include all adjustments, which, unless otherwise disclosed, are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

In preparing our financial statements, we make numerous estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, stockholders' equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. In preparing our financial statements, the most difficult, subjective and complex estimates and the assumptions that deal with the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments, and self-insurance reserves and recoveries. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

Accounting Change — In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Effective January 1, 2008, we adopted SFAS No. 157 for assets and liabilities recognized at fair value on a recurring basis. Our adoption of SFAS No. 157 during the first quarter of 2008 resulted in the recognition of a $6 million charge to operating expenses and a corresponding $3 million credit to minority interest expense for the re-measurement of the fair value of environmental remediation recovery assets accounted for in accordance with Statement of Position No. 96-1, *Environmental Remediation Liabilities.* The adoption of SFAS No. 157 did not materially affect our consolidated financial position, results of operations or cash flows. Refer to Note 11 for information about our fair value measurements.

Reclassification of Segment Information — In the second quarter of 2008, we realigned our Midwest and Western Group organizations to facilitate improved business execution. We moved certain Canadian business operations from the Western Group to the Midwest Group. We have reflected the impact of this realignment for all periods presented to provide financial information that consistently reflects our current approach to managing our operations. Refer to Note 9 for information about our reportable segments.

2. Landfill and Environmental Remediation Liabilities

Liabilities for landfill and environmental remediation costs are presented in the table below (in millions):

	September 30, 2008			December 31, 2007		
	Landfill	Environmental Remediation	Total	Landfill	Environmental Remediation	Total
Current (in accrued liabilities)	$ 91	$ 43	$ 134	$ 106	$ 44	$ 150
Long-term	1,142	230	1,372	1,072	240	1,312
	$ 1,233	$ 273	$ 1,506	$ 1,178	$ 284	$ 1,462

The changes to landfill and environmental remediation liabilities for the year ended December 31, 2007 and the nine months ended September 30, 2008 are reflected in the table below (in millions):

	Landfill	Environmental Remediation
December 31, 2006	$ 1,121	$ 268
Obligations incurred and capitalized	54	—
Obligations settled	(64)	(33)
Interest accretion	74	9
Revisions in estimates	(13)	35
Acquisitions, divestitures and other adjustments	6	5
December 31, 2007	1,178	284
Obligations incurred and capitalized	39	—
Obligations settled	(45)	(26)
Interest accretion	57	6
Revisions in estimates	4	12
Acquisitions, divestitures and other adjustments	—	(3)
September 30, 2008	$ 1,233	$ 273

At several of our landfills, we provide financial assurance by depositing cash into restricted trust funds or escrow accounts for purposes of settling closure, post-closure and environmental remediation obligations. The fair value of these escrow accounts and trust funds was $218 million at September 30, 2008, and is primarily included as long-term "Other assets" in our Condensed Consolidated Balance Sheet.

3. Debt

The following table summarizes the major components of debt at each balance sheet date (in millions):

	September 30, 2008	December 31, 2007
Revolving credit facility (weighted average interest rate of 5.4% at December 31, 2007)	$ —	$ 300
Letter of credit facilities	—	—
Canadian credit facility (weighted average interest rate of 3.9% at September 30, 2008 and 5.3% at December 31, 2007)	279	336
Senior notes and debentures, maturing through 2032, interest rates ranging from 5.0% to 7.75% (weighted average interest rate of 6.8% at September 30, 2008 and 7.0% at December 31, 2007)	4,925	4,584
Tax-exempt bonds maturing through 2039, fixed and variable interest rates ranging from 2.9% to 9.5% (weighted average interest rate of 5.5% at September 30, 2008 and 4.4% at December 31, 2007)	2,684	2,533
Tax-exempt project bonds, principal payable in periodic installments, maturing through 2027, fixed and variable interest rates ranging from 4.5% to 9.4% (weighted average interest rate of 6.0% at September 30, 2008 and 5.3% at December 31, 2007)	269	290
Capital leases and other, maturing through 2050, interest rates up to 12%	272	294
Total long-term debt	8,429	8,337
Current portion of long-term debt	816	329
Long-term debt, less current portion	$ 7,613	$ 8,008

We have $1.3 billion of scheduled debt maturities during the next twelve months. We have classified $522 million of these borrowings as long-term as of September 30, 2008 based on our intent and ability to refinance these borrowings on a long-term basis.

The significant changes in our debt balances from December 31, 2007 to September 30, 2008 are related to the following:

- *Revolving credit facility* — We repaid $50 million of the outstanding borrowings with available cash and repaid the remaining $250 million of outstanding borrowings with proceeds from the issuance of senior notes as discussed below.
- *Canadian credit facility* — Approximately $496 million of advances matured, of which $49 million were repaid with available cash and the remaining $447 million were renewed under the terms of the credit facility. The remaining decrease in the carrying value of this obligation is due to currency translation adjustments, which were partially offset by the impact of interest accretion.

  As of December 31, 2007 and September 30, 2008, $281 million and $255 million, respectively, of these advances were classified as long-term based on our intent and ability to refinance the obligations on a long-term basis under the terms of the facility.

- *Senior notes* — We issued $600 million of 6.1% senior notes due March 15, 2018. The net proceeds from the debt issuance were $594 million. A portion of the proceeds from this offering was used to repay $250 million of outstanding borrowings under our revolving credit facility. The remaining proceeds from the offering were used for the early redemption of $244 million of 8.75% senior notes that would have matured in 2018 in May 2008 due to their relatively high interest rate. We recognized a net credit to interest expense of approximately $10 million for the immediate recognition of fair value adjustments associated with terminated interest rate swaps that had been deferred and were being amortized over the life of the debt.

  In connection with our issuance of the senior notes, we executed interest rate swap contracts with a total notional value of $200 million. We designated these fixed-to-floating interest rate swap agreements as fair value hedges, resulting in all fair value adjustments being reflected as a component of the carrying value of the underlying debt. For information related to the fair value of our interest rate derivatives, refer to Note 11.

  We have $386 million of 6.5% senior notes that mature in November 2008 and $500 million of 6.875% senior notes that mature in May 2009. As of September 30, 2008, $267 million of this debt was classified as long-term based on our intent and ability to refinance the obligations on a long-term basis. We are currently evaluating our repayment options and expect to refinance the $886 million of senior notes maturing in the next twelve months on a long-term basis. However, our classification of the borrowings as long-term as of September 30, 2008 was limited to $267 million by the available and forecasted capacity of our $2.4 billion revolving credit facility, resulting in the remaining $619 million being reflected as a current debt obligation as of September 30, 2008.

- *Tax-exempt bonds* — We issued $171 million of tax-exempt bonds during the nine months ended September 30, 2008. The proceeds from the issuance of the bonds were deposited directly into a trust fund and may only be used for the specific purpose for which the money was raised, which is generally to finance expenditures for landfill construction and development, equipment, vehicles and facilities in support of our operations. Accordingly, the restricted funds provided by these financing activities have not been included in "New Borrowings" in our Condensed Consolidated Statement of Cash Flows. During the nine months ended September 30, 2008, $20 million of our tax-exempt bonds were repaid with available cash or restricted tax-exempt bond funds.

- *Tax-exempt project bonds, capital leases and other* — The decrease in these debt balances is primarily related to the repayment of various borrowings upon their scheduled maturities.

4. Income Taxes

Our effective tax rates for the three and nine months ended September 30, 2008 were 39.3% and 38.5%, respectively, compared with 36.1% and 31.5% for the three and nine months ended September 30, 2007, respectively. Our estimated recurring effective tax rate as of September 30, 2008 is 40.0%, which is relatively consistent with our estimated recurring effective tax rate throughout 2008. Our estimated recurring effective tax rate as of September 30, 2007 was 35.9%, which represents a 1.9 percentage point increase from the June 30, 2007 rate. This increase, which was largely due to revisions in our expectations for the phase-out of Section 45K tax credits, resulted in additional "Provision for income taxes" and a reduction in our "Net income" of $24 million, or $0.05 per diluted share, for the three and nine months ended September 30, 2007.

The difference between federal income taxes computed at the federal statutory rate and reported income taxes for the three and nine months ended September 30, 2008 was primarily due to the unfavorable impact of state and local income taxes, which was offset, in part, by the favorable impacts of tax audit settlements and the true-up of our 2007 non-conventional fuel tax credits.

The difference between federal income taxes computed at the federal statutory rate and reported income taxes for the three months ended September 30, 2007 was primarily due to the impacts of state and local income taxes, which were offset in part by the favorable impacts of the finalization of our 2006 tax returns and tax audit settlements. These items also affected our reported income taxes for the nine months ended September 30, 2007. In addition, our reported income taxes for the nine months ended September 30, 2007 were favorably affected by non-conventional fuel tax credits and the revaluation of deferred tax balances for scheduled tax rate reductions in Canada and an increase in state tax credits.

We evaluate our effective tax rate at each interim period and adjust it accordingly as facts and circumstances warrant.

Tax audit settlements — The settlement of tax audits resulted in a reduction to our provision for income taxes of $13 million, or $0.03 per diluted share, for the nine months ended September 30, 2008. The settlement of various federal and state tax audits resulted in a reduction in our provision for income taxes of $3 million, or $0.01 per diluted share, for the three months ended September 30, 2007 and $30 million, or $0.06 per diluted share, for the nine months ended September 30, 2007.

Non-conventional fuel tax credits — The favorable impact of non-conventional fuel tax credits on our 2007 effective tax rate was derived from our investments in two coal-based, synthetic fuel production facilities and our landfill gas-to-energy projects. The fuel generated from the facilities and our landfill gas-to-energy projects qualified for tax credits through 2007 pursuant to Section 45K of the Internal Revenue Code. Our recorded taxes for the nine months ended September 30, 2007 included a benefit of $58 million from Section 45K tax credits.

Our effective tax rate for the three and nine months ended September 30, 2007 reflected our expectations for the phase-out of 52% of Section 45K tax credits generated during 2007. As of December 31, 2007, our estimate of the 2007 phase-out rate had increased to 69%. In April 2008, the IRS published the phase-out percentage that must be applied to Section 45K tax credits generated in 2007, which was 67.2%. Our provision for income taxes for the first quarter of 2008 included an adjustment of our 2007 year-end estimate to the final 2007 phase-out, which resulted in the recognition of a $3 million benefit.

The tax credits generated by our investments in the synthetic fuel production facilities were offset, in part, by the recognition of our pro-rata share of the facilities' losses, which were recognized as "Equity in net losses of unconsolidated entities" and "Interest expense." During the nine months ended September 30, 2007, we recognized $50 million of equity losses and $2 million of interest expense associated with our interest in the facilities. The income tax benefit attributable to the facilities was $65 million for the nine months ended September 30, 2007, including $44 million of Section 45K tax credits. Our investment in the facilities increased net income for the nine months ended September 30, 2007 by $13 million. Our interest in the facilities did not contribute significantly to net income for the three and nine months ended September 30, 2008 due to the expiration of our investments and Section 45K tax credits at the end of 2007.

5. Comprehensive Income

Comprehensive income was as follows (in millions):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net income	$ 310	$ 278	$ 869	$ 854
Other comprehensive income (loss):				
Unrealized gains (losses) resulting from changes in fair values of derivative instruments, net of taxes	15	(14)	12	(36)
Realized (gains) losses on derivative instruments reclassified into earnings, net of taxes	(9)	19	(10)	44
Unrealized losses on marketable securities, net of taxes	(2)	(4)	(4)	(4)
Translation adjustment of foreign currency statements	(28)	41	(45)	89
Other comprehensive income (loss)	(24)	42	(47)	93
Comprehensive income	$ 286	$ 320	$ 822	$ 947

The components of accumulated other comprehensive income were as follows (in millions):

	September 30, 2008	December 31, 2007
Accumulated unrealized loss on derivative instruments, net of tax benefit	$ (18)	$ (20)
Accumulated unrealized gain on marketable securities, net of taxes	1	5
Cumulative translation adjustment of foreign currency statements	195	240
Underfunded post-retirement benefit obligations, net of taxes	4	4
	$ 182	$ 229

6. Earnings Per Share

Basic and diluted earnings per share were computed using the following common share data (shares in millions):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Number of common shares outstanding at end of period	490.6	509.8	490.6	509.8
Effect of using weighted average common shares outstanding	0.2	6.1	1.9	11.6
Weighted average basic common shares outstanding	490.8	515.9	492.5	521.4
Dilutive effect of equity-based compensation awards, warrants and other contingently issuable shares	3.3	4.2	3.3	4.6
Weighted average diluted common shares outstanding	494.1	520.1	495.8	526.0
Potentially issuable shares	15.4	18.8	15.4	18.8
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	0.9	2.4	0.9	2.5

7. Commitments and Contingencies

Financial instruments — We use letters of credit, performance bonds and insurance policies as well as trust funds and financial guarantees for our financial assurance needs, which include supporting tax-exempt bonds, contracts, performance of landfill closure and post-closure requirements, environmental remediation and other obligations. Letters of credit generally are supported by our revolving credit facility and other credit facilities established for that purpose. We obtain surety bonds and insurance policies from an entity in which we have a non-controlling financial interest and obtain insurance from a wholly-owned insurance company, the sole business of which is to issue policies for us. In those instances where our use of captive insurance is not allowed, we generally have available alternative bonding mechanisms.

Management does not expect to have any claims against or draws on these instruments that would have a material adverse effect on our consolidated financial statements and we have not experienced any unmanageable difficulty in obtaining the required financial assurance instruments for our current operations.

Insurance — We carry insurance coverage for protection of our assets and operations from certain risks we believe are customary to the industry. Our exposure to loss for insurance claims is generally limited to the per incident deductible under the related insurance policy. We have retained a portion of the risks related to our automobile, general liability and workers' compensation insurance programs. For our self-insured retentions, the exposure for unpaid claims and associated expenses, including incurred but not reported losses, is based on an actuarial valuation and internal estimates. The estimated accruals for these liabilities could be affected if future occurrences or loss development significantly differ from the assumptions used. We do not expect the impact of any known casualty, property, environmental or other contingency to have a material impact on our financial condition, results of operations or cash flows.

Guarantees — In the ordinary course of our business, WMI and WM Holdings enter into guarantee agreements associated with their subsidiaries' operations. Additionally, WMI and WM Holdings have each guaranteed all of the senior debt of the other entity. No additional liabilities have been recorded for these intercompany guarantees because all of the underlying obligations are reflected in our Condensed Consolidated Balance Sheets.

We also have guaranteed the obligations of and provided indemnification to third parties in the ordinary course of business. Guarantee agreements outstanding as of September 30, 2008 include guarantees of unconsolidated entities' financial obligations maturing through 2020 for maximum future payments of $10 million; agreements guaranteeing the market value of homeowners' properties adjacent to landfills; and the guarantee of interest rate swap obligations of the funding entity in connection with our letter of credit facility. Our indemnification obligations generally provide that we will be responsible for liabilities associated with our operations for events that occurred prior to the sale of the operations. We do not believe that it is possible to determine the contingent obligations associated with these indemnities. Additionally, under certain of our acquisition agreements, we have provided for additional consideration to be paid to the sellers if established financial targets are achieved post-closing. The costs associated with any additional consideration requirements are accounted for as incurred.

Environmental matters — A significant portion of our operating costs and capital expenditures could be characterized as costs of environmental protection, as we are subject to an array of laws and regulations relating to the protection of the environment. Under current laws and regulations, we may have liabilities for environmental damage caused by operations, or for damage caused by conditions that existed before we acquired a site. Such liabilities include potentially responsible party, or PRP, investigations, settlements, certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials and incremental internal costs directly related to the remedy.

Estimating our degree of responsibility for remediation of a particular site is inherently difficult and determining the method and ultimate cost of remediation requires that a number of assumptions be made. There can sometimes be a range of reasonable estimates of the costs associated with the likely remedy of a site. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within the range appears to be a better estimate than any other, we use the amounts that are the low ends of such ranges in accordance with SFAS No. 5, *Accounting for Contingencies*, and its interpretations. If we used the high ends of such ranges, our aggregate potential liability would be approximately $150 million higher than the $273 million recorded in the Condensed Consolidated Financial Statements as of September 30, 2008. Our ongoing review of our remediation liabilities could result in revisions that could cause upward or downward adjustments to income from operations. These adjustments could also be material in any given period.

As of September 30, 2008, we had been notified by the government that we are a PRP in connection with 74 locations listed on the EPA's National Priorities List, or NPL. Of the 74 sites at which claims have been made against us, 16 are sites we own. All of the NPL sites we own were initially developed by others as landfill disposal facilities. The NPL sites are at various procedural stages under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, known as CERCLA or Superfund. CERCLA generally provides for liability for those parties owning, operating, transporting to or disposing at the sites. 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 remediation, which costs could be substantial and could have a material adverse effect on our consolidated financial statements. At some of the sites at which we have been identified as a PRP, our liability is well defined as a consequence of a governmental decision and an agreement among liable parties as to the share each will pay for implementing that remedy. At other sites, where no remedy has been selected or the liable parties have been unable to agree on an appropriate allocation, our future costs are uncertain. Any of these matters potentially could have a material adverse effect on our consolidated financial statements.

Litigation — In April 2002, two former participants in WM Holdings' ERISA plans filed a lawsuit in the U.S. District Court for the District of Columbia in a case entitled *William S. Harris, et al. v. James E. Koenig, et al*. The lawsuit named as defendants WM Holdings; various members of WM Holdings' Board of Directors prior to the acquisition of WM Holdings by WMI, including Pastora San Juan Cafferty, Steven Rothmeier and John C. Pope, each of whom is currently a director of WMI; the Administrative Committee of WM Holdings' ERISA plans and its individual members, which included former officers and directors of WM Holdings; various members of the Administrative Committee of WMI's ERISA plans, including former officers of WMI; various members of the Investment Committee of WMI's ERISA plans, including former officers of WMI and Robert G. Simpson; and State Street Bank & Trust, the trustee and investment manager of WMI's ERISA plans. The lawsuit attempts to increase the recovery of a class of ERISA plan participants based on allegations related to both the events alleged in, and the settlements relating to, the securities class action against WM Holdings that was settled in 1998 and the securities class action against WMI that was settled in 2001. Subsequently, the issues related to the latter class action have been dropped as to WMI and all of its current and former officers and directors, including Mr. Simpson. The case is ongoing with respect to the other defendants, including Ms. Cafferty, Mr. Rothmeier and Mr. Pope, in their capacities as former directors of WM Holdings. All of the defendants intend to defend themselves vigorously.

There are two separate wage and hour lawsuits pending against us in California, each seeking class certification. The actions have recently been coordinated to proceed in San Diego County. Both lawsuits make the same general allegations that the defendants failed to comply with certain California wage and hour laws, including allegedly failing to provide meal and rest periods, and failing to properly pay hourly and overtime wages. Similarly, a purported class action lawsuit was filed in August 2008 in federal court in Minnesota alleging that we violated the Fair Labor Standards Act. The Company has filed a motion to dismiss, alleging lack of jurisdiction. We deny all of these claims and intend to vigorously defend these matters. As the litigation is in the early stages of the legal process, and given the inherent uncertainties of litigation, the ultimate outcome cannot be predicted at this time, nor can possible damages, if any, be reasonably estimated.

From time to time, we also are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of having owned, operated or transported waste to a disposal facility that is alleged to have contaminated the environment or, in certain cases, on the basis of having conducted environmental remediation activities at sites. Some of the lawsuits may seek to have us pay the costs of monitoring of allegedly affected sites and health care examinations of allegedly affected persons for a substantial period of time even where no actual damage is proven. While we believe we have meritorious defenses to these lawsuits, the 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 our consolidated financial statements.

As a large company with operations across the United States and Canada, we are subject to various proceedings, lawsuits, disputes and claims arising in the ordinary course of our business. Many of these actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against us include commercial, customer, and employment related claims, including purported class action lawsuits related to our customer service agreements and purported class actions involving federal and state wage and hour and other laws. The plaintiffs in some actions seek unspecified damages or injunctive relief, or both. These actions are in various procedural stages, and some are covered in part by insurance. We currently do not believe that any such actions will ultimately have a material adverse impact on our consolidated financial statements.

WMI's charter and bylaws currently require indemnification of its officers and directors if statutory standards of conduct have been met and allow the advancement of expenses to these individuals upon receipt of an undertaking by the individuals to repay all expenses if it is ultimately determined that they did not meet the required standards of conduct. Additionally, WMI has entered into separate indemnification agreements with each of the members of its Board of Directors as well as its Chief Executive Officer, its President and its Chief Financial Officer. The Company may incur substantial expenses in connection with the fulfillment of its advancement of costs and indemnification obligations in connection with current actions involving former officers of the Company or its subsidiaries or other actions or proceedings, including the *Harris* lawsuit mentioned above, that may be brought against its former or current officers, directors and employees.

On March 20, 2008, we filed a lawsuit in state court in the Southern District of Texas against SAP AG and SAP America, Inc., alleging fraud and breach of contract. The lawsuit relates to our 2005 software license from SAP for a waste and recycling revenue management system and agreement for SAP to implement the software on a fixed-fee basis. We have alleged that SAP contracted to provide software that would not need to be customized or enhanced and that the software would be fully implemented throughout the Company in 18 months. We are pursuing all legal remedies, including recovery of all payments we have made, costs we have incurred and savings not realized. SAP filed a general denial to the suit. Discovery is ongoing and we have been assigned a trial date of October 2009. We are vigorously pursuing all claims available.

We are still examining all of our alternatives associated with the development and implementation of a revenue management system, some of which may be affected by the ultimate resolution of the lawsuit. As we continue to assess the alternatives available to us, we may determine that the best course of action will be to move forward with another software and abandon the SAP revenue management system. If we decide to abandon the SAP software, the abandonment would result in a charge of between $45 million and $55 million.

Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that we reasonably believe could exceed $100,000. The following are the three matters pending as of September 30, 2008 that are disclosed in accordance with that requirement:

On April 4, 2006, the EPA issued a Finding and Notice of Violation ("FNOV") to Waste Management of Hawaii, Inc., an indirect wholly-owned subsidiary of WMI, and to the City and County of Honolulu for alleged violations of the federal Clean Air Act, based on alleged failure to submit certain reports and design plans required by the EPA, and the failure to begin and timely complete the installation of a gas collection and control system for the Waimanalo Gulch Sanitary Landfill on Oahu. The FNOV did not propose a penalty amount and the parties have been in confidential settlement negotiations. Pursuant to an indemnity agreement, any penalty assessed will be paid by the Company, and not by the City and County of Honolulu.

On March 17, 2008, Chemical Waste Management, LLC, an indirect wholly-owned subsidiary of WMI, received a proposed Order on Consent and Complaint from the New York State Department of Environmental Conservation ("DEC") alleging violations under the Resource Conservation and Recovery Act that were either self-reported by Chemical Waste or observed during DEC inspections involving handling, disposal and transportation-related activities. The Order provided for a civil penalty in the amount of $240,250 and covers the period from November 2000 through January 2007. Subsequently, at the request of Chemical Waste, the DEC agreed to amend its proposed Order to include an alleged storm water violation with a total proposed penalty of $290,000. The parties are engaged in confidential settlement discussions involving the alleged violations and amount of the penalty.

By letter dated September 22, 2006, the Pennsylvania Department of Environmental Protection proposed a Consent Agreement and Order to Shade Landfill, Inc., an indirect wholly-owned subsidiary of WMI, to address boron effluent values in excess of the landfill's discharge permits between 2002 and 2006. The proposed Consent Agreement and Order included a proposed penalty of $200,000. The parties are in confidential settlement negotiations.

Multi-employer, defined benefit pension plans — We have collective bargaining agreements with various union locals across the United States. As a result of many of these agreements, certain of our subsidiaries are participating employers in a number of trustee-managed multi-employer, defined benefit pension plans for the affected employees, including the Central States Southeast and Southwest Areas Pension Plan ("Central States Pension Plan"). In March 2008, the Central States Pension Plan reported that it has adopted a rehabilitation plan as a result of its actuarial certification for the plan year beginning January 1, 2008, which placed the Central States Pension Plan in "critical status," as defined by the Pension Protection Act of 2006. In connection with our ongoing re-negotiation of various collective bargaining agreements, we may discuss and negotiate for the complete or partial withdrawal from one or more of these pension plans. In September 2008, we recognized an $18 million charge to "Operating" expenses for the agreed-upon withdrawal of a bargaining unit in Milwaukee, Wisconsin from the Central States Pension Fund in connection with our negotiations of that unit's agreement. We do not believe that our withdrawals from the multi-employer plans, individually or in the aggregate, would have a material adverse effect on our financial condition or liquidity. However, withdrawals of other bargaining units in the future could have a material adverse effect on our results of operations for the period in which any such withdrawal were recorded.

Tax matters — In the second quarter of 2008, we concluded the IRS audit of the 2006 tax year and recognized a $4 million net benefit as a reduction to our provision for income taxes. We are currently in the examination phase of IRS audits for the years 2007 and 2008. We expect the 2007 audit to be completed within the next three months and the 2008 audit to be completed within the next 15 months. Audits associated with state and local jurisdictions date back to 1999 and examinations associated with Canada date back to 1998. To provide for certain potential tax exposures, we maintain a liability for unrecognized tax benefits, the balance of which management believes is adequate. Results of audit assessments by taxing authorities could have a material effect on our quarterly or annual cash flows as audits are completed, although we do not believe that current tax audit matters will have a material adverse impact on our results of operations.

We have approximately $3.0 billion of tax-exempt financings as of September 30, 2008. Tax-exempt financings are structured pursuant to certain terms and conditions of the Internal Revenue Code, which exempt from taxation the interest income earned by the bondholders in the transactions. The requirements of the Code can be complex, and failure to comply with these requirements could cause certain past interest payments made on the bonds to be taxable and could cause either outstanding principal amounts on the bonds to be accelerated or future interest payments on the bonds to be taxable. Some of the Company's tax-exempt financings have been, or currently are, the subject of examinations by the IRS to determine whether the financings meet the requirements of the Code and applicable regulations. It is possible that an adverse determination by the IRS could have a material adverse effect on the Company's cash flows and results of operations.

8. Restructuring

In the first quarter of 2007, we restructured certain operations and functions resulting in the recognition of a charge of $9 million. We incurred an additional $1 million of costs for this restructuring during the second quarter of 2007, increasing the pre-tax costs incurred to date to $10 million. Approximately $7 million of our restructuring costs was incurred by our Corporate organization, $2 million was incurred by our Midwest Group and $1 million was incurred by our Western Group. These charges included $8 million for employee severance and benefit costs and $2 million related to operating lease agreements.

Through September 30, 2008, we had paid $7 million of the employee severance and benefit costs incurred as a result of this restructuring. The length of time we are obligated to make severance payments varies, with the longest obligation continuing through the first quarter of 2009.

9. Segment and Related Information

We manage and evaluate our operations primarily through our Eastern, Midwest, Southern, Western, Wheelabrator and WMRA Groups. These six Groups are presented below as our reportable segments. Our segments provide integrated waste management services consisting of collection, disposal (solid waste and hazardous waste landfills), transfer, waste-to-energy facilities and independent power production plants that are managed by Wheelabrator, recycling services and other services to commercial, industrial, municipal and residential customers throughout the United States and in Puerto Rico and Canada. The operations not managed through our six operating Groups are presented herein as "Other."

During the second quarter of 2008, we realigned our Midwest and Western Group organizations to facilitate improved business execution. We reassigned responsibility for the management of certain Canadian business operations in the Western Group to the Midwest Group. The prior period segment information provided in the following table has been reclassified to reflect the impact of our realignment to provide financial information that consistently reflects our current approach to managing our operations.

Summarized financial information concerning our reportable segments for the three and nine months ended September 30 is shown in the following tables (in millions):

Three Months Ended:	Gross Operating Revenues	Intercompany Operating Revenues	Net Operating Revenues	Income from Operations
September 30, 2008				
Eastern	$ 826	$ (155)	$ 671	$ 135
Midwest	831	(123)	708	119
Southern	935	(123)	812	225
Western	861	(111)	750	151
Wheelabrator	245	(24)	221	104
WMRA	296	(4)	292	26
Other	87	(16)	71	(12)
	4,081	(556)	3,525	748
Corporate and Other	—	—	—	(116)
Total	$ 4,081	$ (556)	$ 3,525	$ 632
September 30, 2007				
Eastern	$ 841	$ (164)	$ 677	$ 124
Midwest	821	(130)	691	139
Southern	923	(136)	787	201
Western	851	(110)	741	140
Wheelabrator	222	(17)	205	90
WMRA	248	(5)	243	20
Other	80	(21)	59	(12)
	3,986	(583)	3,403	702
Corporate and Other	—	—	—	(137)
Total	$ 3,986	$ (583)	$ 3,403	$ 565

Nine Months Ended:	Gross Operating Revenues	Intercompany Operating Revenues	Net Operating Revenues	Income from Operations
September 30, 2008				
Eastern	$ 2,430	$ (454)	$ 1,976	$ 390
Midwest	2,402	(364)	2,038	356
Southern	2,788	(377)	2,411	653
Western	2,519	(326)	2,193	463
Wheelabrator	683	(65)	618	239
WMRA	846	(15)	831	69
Other	246	(33)	213	(41)
	11,914	(1,634)	10,280	2,129
Corporate and Other	—	—	—	(354)
Total	$ 11,914	$ (1,634)	$ 10,280	$ 1,775
September 30, 2007				
Eastern	$ 2,480	$ (481)	$ 1,999	$ 396
Midwest	2,345	(376)	1,969	374
Southern	2,770	(411)	2,359	617
Western	2,514	(332)	2,182	455
Wheelabrator	649	(51)	598	205
WMRA	693	(15)	678	61
Other	218	(54)	164	(33)
	11,669	(1,720)	9,949	2,075
Corporate and Other	—	—	—	(396)
Total	$ 11,669	$ (1,720)	$ 9,949	$ 1,679

The income from operations provided by our four geographic segments is generally indicative of the margins provided by our collection, landfill and transfer businesses, although these Groups do provide recycling and other services that can affect these margins. The operating margins provided by our Wheelabrator segment (waste-to-energy facilities and independent power production plants) have historically been higher than the margins provided by our base business generally due to the combined impact of long-term disposal and energy contracts and the disposal demands of the region in which our facilities are concentrated. Income from operations provided by our WMRA segment generally reflects operating margins typical of the recycling industry, which tend to be lower than those provided by our base business, but may fluctuate significantly as market prices for commodities change. Fluctuations in our operating results between quarters may be caused by many factors, including period-to-period changes in the relative contribution of revenue by each line of business and operating segment and general economic conditions.

In addition, our revenues and income from operations typically reflect seasonal patterns. Our operating revenues tend to be somewhat higher in the summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. Additionally, certain destructive weather conditions that tend to occur during the second half of the year actually increase our revenues in the areas affected. However, for several reasons, including significant start-up costs, such revenue often generates comparatively lower margins. Certain weather conditions may result in the temporary suspension of our operations, which can significantly affect the operating results of the affected regions. The operating results of our first quarter also often reflect higher repair and maintenance expenses because we rely on the slower winter months, when waste flows are generally lower, to perform scheduled maintenance at our waste-to-energy facilities.

From time to time, the operating results of our reportable segments are significantly affected by unusual or infrequent transactions or events. In addition to the impacts of "(Income) Expense from Divestitures, Asset Impairments and Unusual Items," which are discussed in Note 10, the following items have significantly affected the operating results of our segments during the periods presented:

- *Eastern* — The Group's operating results for the three and nine months ended September 30, 2007 were improved by $3 million and $18 million, respectively, due to the favorable resolution of a disposal tax matter. The same disposal tax matter also improved the Group's operating results by $3 million in the first quarter of 2008. These impacts were recognized as reductions to disposal fees and taxes within our "Operating" expenses.
- *Midwest* — During the third quarter of 2008, the Group's operating results were negatively affected by $26 million of increased "Operating" expenses due to a labor disruption associated with the renegotiation of a collective bargaining agreement in Milwaukee, Wisconsin and the related agreement of the bargaining unit to withdraw from the Central States Pension Fund.
- *Western* — During the third quarter of 2007, the Group's operating results were negatively affected by $26 million, principally for increased "Operating" expenses, due to a labor dispute in Oakland, California and, to a much lesser extent, the management of collective bargaining agreements in other parts of California. Costs incurred were largely related to security efforts and the deployment and lodging costs incurred for replacement workers who were brought to Oakland from across the organization.
- *Wheelabrator* — The Group's income from operations for the first quarter of 2007 was negatively affected by $21 million of charges incurred for the early termination of a lease agreement in connection with the purchase of one of our independent power production plants. This charge was recorded as "Operating" expenses.

10. (Income) Expense from Divestitures, Asset Impairments and Unusual Items

(Income) expense from divestitures (including held-for-sale impairments) — We recognized $28 million of net gains from divestitures during the nine months ended September 30, 2008 related to the divestiture of under-performing collection operations in our Southern Group, $2 million of which was recognized during the first quarter of 2008 and $26 million of which was recognized during the third quarter of 2008. Total proceeds from divestitures completed during the nine months ended September 30, 2008 were $48 million, which we primarily received in cash.

We recognized $44 million of net gains from divestitures during the nine months ended September 30, 2007. We recognized $9 million of net gains from divestitures during the first quarter of 2007 that were primarily related to collection and disposal operations in our Southern Group; $33 million of net gains from divestitures during the second quarter of 2007 that were primarily related to collection and transfer operations in our Eastern Group, collection operations in our Western Group and WMRA operations; and $2 million of net gains from divestitures during the third quarter of 2007. Total proceeds from divestitures completed during the nine months ended September 30, 2007 were $186 million, which were primarily received in cash.

Impairments of assets held-for-use — During the third quarter of 2008, we recognized a $3 million impairment charge as a result of a decision to close a landfill in our Southern Group. During the nine months ended September 30, 2007, we recognized $11 million in impairment charges for our landfill line of business. These charges were principally due to impairments recognized during the first quarter of 2007 for two landfills in our Southern Group. The impairments were necessary as a result of the re-evaluation of our business alternatives for one landfill and the expiration of a contract that we had expected would be renewed that had significantly contributed to the volumes for the second landfill.

11. Fair Value Measurements

SFAS No. 157 provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate. As of September 30, 2008, our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Available-for-sale securities	$ 403	$ 403	$ —	$ —
Interest rate derivatives	5	—	5	—
Environmental remediation recovery assets (a)	29	—	—	29
Total assets	$ 437	$ 403	$ 5	$ 29
Liabilities:				
Interest rate derivatives	$ 13	$ —	$ 13	$ —
Foreign currency derivatives	13	—	13	—
Total liabilities	$ 26	$ —	$ 26	$ —

(a) Changes in the fair value of these assets are generally related to (i) revisions in our estimates of the cost to remediate a site because the amounts owed by third parties are directly related to the underlying environmental remediation liabilities; (ii) receipt of funds from third parties; (iii) changes in our expectations for the recovery of the balances; (iv) the accretion of interest income; and (v) changes in the applicable discount rates due to either fluctuations in market interest rates or changes in the credit-worthiness of our counterparties. There have not been any material changes in these fair value measurements during 2008.

12. Condensed Consolidating Financial Statements

WM Holdings has fully and unconditionally guaranteed all of WMI’s senior indebtedness. WMI has fully and unconditionally guaranteed all of WM Holdings’ senior indebtedness. None of WMI’s other subsidiaries have guaranteed any of WMI’s or WM Holdings’ debt. As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information (in millions):

CONDENSED CONSOLIDATING BALANCE SHEETS

September 30, 2008
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 453	$ —	$ 51	$ —	$ 504
Other current assets	3	—	2,086	—	2,089
	456	—	2,137	—	2,593
Property and equipment, net	—	—	11,291	—	11,291
Investments in and advances to affiliates	9,963	11,350	1,064	(22,377)	—
Other assets	30	14	6,415	—	6,459
Total assets	$ 10,449	$ 11,364	$ 20,907	$ (22,377)	$ 20,343
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 626	$ —	$ 190	$ —	$ 816
Accounts payable and other current liabilities	83	6	2,101	—	2,190
	709	6	2,291	—	3,006
Long-term debt, less current portion	3,833	635	3,145	—	7,613
Other liabilities	11	1	3,512	—	3,524
Total liabilities	4,553	642	8,948	—	14,143
Minority interest in subsidiaries and variable interest entities	—	—	304	—	304
Stockholders' equity	5,896	10,722	11,655	(22,377)	5,896
Total liabilities and stockholders' equity	$ 10,449	$ 11,364	$ 20,907	$ (22,377)	$ 20,343

December 31, 2007

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 416	$ —	$ —	$ (68)	$ 348
Other current assets	—	—	2,132	—	2,132
	416	—	2,132	(68)	2,480
Property and equipment, net	—	—	11,351	—	11,351
Investments in and advances to affiliates	9,617	10,622	173	(20,412)	—
Other assets	28	15	6,301	—	6,344
Total assets	$ 10,061	$ 10,637	$ 19,957	$ (20,480)	$ 20,175
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 129	$ —	$ 200	$ —	$ 329
Accounts payable and other current liabilities	79	22	2,236	(68)	2,269
	208	22	2,436	(68)	2,598
Long-term debt, less current portion	4,034	889	3,085	—	8,008
Other liabilities	27	2	3,438	—	3,467
Total liabilities	4,269	913	8,959	(68)	14,073
Minority interest in subsidiaries and variable interest entities	—	—	310	—	310
Stockholders' equity	5,792	9,724	10,688	(20,412)	5,792
Total liabilities and stockholders' equity	$ 10,061	$ 10,637	$ 19,957	$ (20,480)	$ 20,175

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended September 30, 2008
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 3,525	$ —	$ 3,525
Costs and expenses	—	—	2,893	—	2,893
Income from operations	—	—	632	—	632
Other income (expense):					
Interest income (expense)	(68)	(11)	(30)	—	(109)
Equity in subsidiaries, net of taxes	353	360	—	(713)	—
Minority interest	—	—	(13)	—	(13)
Equity in net earnings (losses) of unconsolidated entities and other, net	—	—	1	—	1
	285	349	(42)	(713)	(121)
Income before income taxes	285	349	590	(713)	511
Provision for (benefit from) income taxes	(25)	(4)	230	—	201
Net income	$ 310	$ 353	$ 360	$ (713)	$ 310

Three Months Ended September 30, 2007
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 3,403	$ —	$ 3,403
Costs and expenses	—	—	2,838	—	2,838
Income from operations	—	—	565	—	565
Other income (expense):					
Interest income (expense)	(74)	(16)	(28)	—	(118)
Equity in subsidiaries, net of taxes	325	335	—	(660)	—
Minority interest	—	—	(12)	—	(12)
Equity in net earnings (losses) of unconsolidated entities and other, net	—	—	1	—	1
	251	319	(39)	(660)	(129)
Income before income taxes	251	319	526	(660)	436
Provision for (benefit from) income taxes	(27)	(6)	191	—	158
Net income	$ 278	$ 325	$ 335	$ (660)	$ 278

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (Continued)

Nine Months Ended September 30, 2008
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 10,280	$ —	$ 10,280
Costs and expenses	—	—	8,505	—	8,505
Income from operations	—	—	1,775	—	1,775
Other income (expense):					
Interest income (expense)	(204)	(30)	(93)	—	(327)
Equity in subsidiaries, net of taxes	998	1,017	—	(2,015)	—
Minority interest	—	—	(33)	—	(33)
Equity in net earnings (losses) of unconsolidated entities and other, net	—	—	(2)	—	(2)
	794	987	(128)	(2,015)	(362)
Income before income taxes	794	987	1,647	(2,015)	1,413
Provision for (benefit from) income taxes	(75)	(11)	630	—	544
Net income	$ 869	$ 998	$ 1,017	$ (2,015)	$ 869

Nine Months Ended September 30, 2007
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 9,949	$ —	$ 9,949
Costs and expenses	—	—	8,270	—	8,270
Income from operations	—	—	1,679	—	1,679
Other income (expense):					
Interest income (expense)	(221)	(49)	(86)	—	(356)
Equity in subsidiaries, net of taxes	994	1,025	—	(2,019)	—
Minority interest	—	—	(33)	—	(33)
Equity in net earnings (losses) of unconsolidated entities and other, net	—	—	(43)	—	(43)
	773	976	(162)	(2,019)	(432)
Income before income taxes	773	976	1,517	(2,019)	1,247
Provision for (benefit from) income taxes	(81)	(18)	492	—	393
Net income	$ 854	$ 994	$ 1,025	$ (2,019)	$ 854

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2008
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 869	$ 998	$ 1,017	$ (2,015)	$ 869
Equity in earnings of subsidiaries, net of taxes	(998)	(1,017)	—	2,015	—
Other adjustments	(11)	(27)	1,071	—	1,033
Net cash provided by (used in) operating activities	(140)	(46)	2,088	—	1,902
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(230)	—	(230)
Capital expenditures	—	—	(787)	—	(787)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	92	—	92
Net receipts from restricted trust and escrow accounts and other, net	(2)	—	151	—	149
Net cash used in investing activities	(2)	—	(774)	—	(776)
Cash flows from financing activities:					
New borrowings	644	—	447	—	1,091
Debt repayments	(371)	(244)	(591)	—	(1,206)
Common stock repurchases	(410)	—	—	—	(410)
Cash dividends	(399)	—	—	—	(399)
Exercise of common stock options and warrants	36	—	—	—	36
Minority interest distributions paid and other	7	—	(89)	—	(82)
(Increase) decrease in intercompany and investments, net	672	290	(1,030)	68	—
Net cash provided by (used in) financing activities	179	46	(1,263)	68	(970)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—
Increase (decrease) in cash and cash equivalents	37	—	51	68	156
Cash and cash equivalents at beginning of period	416	—	—	(68)	348
Cash and cash equivalents at end of period	$ 453	$ —	$ 51	$ —	$ 504

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)

Nine Months Ended September 30, 2007
(Unaudited)

	WMI	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 854	$ 994	$ 1,025	$ (2,019)	$ 854
Equity in earnings of subsidiaries, net of taxes	(994)	(1,025)	—	2,019	—
Other adjustments	(15)	(9)	1,016	—	992
Net cash provided by (used in) operating activities	(155)	(40)	2,041	—	1,846
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(86)	—	(86)
Capital expenditures	—	—	(721)	—	(721)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	235	—	235
Purchases of short-term investments	(1,221)	—	—	—	(1,221)
Proceeds from sales of short-term investments	1,288	—	—	—	1,288
Net receipts from restricted trust and escrow accounts and other, net	—	(4)	102	—	98
Net cash provided by (used in) investing activities	67	(4)	(470)	—	(407)
Cash flows from financing activities:					
New borrowings	—	—	439	—	439
Debt repayments	(52)	—	(606)	—	(658)
Common stock repurchases	(1,059)	—	—	—	(1,059)
Cash dividends	(374)	—	—	—	(374)
Exercise of common stock options and warrants	137	—	—	—	137
Minority interest distributions paid and other	25	—	(29)	—	(4)
(Increase) decrease in intercompany and investments, net	1,303	44	(1,378)	31	—
Net cash provided by (used in) financing activities	(20)	44	(1,574)	31	(1,519)
Effect of exchange rate changes on cash and cash equivalents	—	—	3	—	3
Increase (decrease) in cash and cash equivalents	(108)	—	—	31	(77)
Cash and cash equivalents at beginning of period	675	—	—	(61)	614
Cash and cash equivalents at end of period	$ 567	$ —	$ —	$ (30)	$ 537

13. New Accounting Pronouncements

SFAS No. 157 — Fair Value Measurements

In February 2008, the FASB issued Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are measured at fair value on a recurring basis. FSP FAS 157-2 establishes January 1, 2009 as the effective date of SFAS No. 157 with respect to these fair value measurements for the Company. We do not currently expect the application of the fair value framework established by SFAS No. 157 to non-financial assets and liabilities measured on a non-recurring basis to have a material impact on our consolidated financial statements. However, we will continue to assess the potential effects of SFAS No. 157 as additional guidance becomes available.

SFAS No. 141(R) — Business Combinations

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, which establishes principles and requirements for how the acquirer recognizes and measures in the financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will be effective for the Company beginning January 1, 2009. The adoption of SFAS No. 141(R) will not have a material impact on our Condensed Consolidated Financial Statements. However, it could impact our accounting and reporting for future acquisitions.

SFAS No. 160 — Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51*, which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 will be effective for the Company beginning January 1, 2009 and must be applied prospectively, except for the presentation and disclosure requirements, which must be applied retrospectively for all periods presented. The adoption of SFAS No. 160 will not have a material impact on our Condensed Consolidated Financial Statements. However, it could impact our accounting for future transactions.

14. Subsequent Event

On June 23, 2008, Republic Services, Inc. and Allied Waste Industries, Inc. announced that they had entered into a definitive merger agreement. Their merger agreement provided that neither Republic nor Allied would actively solicit third-party acquisition proposals, but that either party could provide information to and engage in discussions with a third party if the Board of Directors of the company receiving the proposal determined that the proposal either constitutes, or could reasonably be expected to lead to, a Superior Proposal (as defined in the agreement). During the third quarter of 2008, we made two proposals to the Board of Directors of Republic to acquire all of Republic's outstanding shares of common stock in an all-cash merger, first at $34 per share and then at $37 per share. Subsequent to each proposal, Republic announced that its Board of Directors had determined that our proposals did not constitute, and could not reasonably be expected to lead to, a Superior Proposal and, as a result, it had declined to authorize Republic to provide us with information or engage in discussions and negotiations with us. On October 13, 2008, we announced that we were withdrawing our proposal given the current state of the financial markets.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

In an effort to keep our shareholders and the public informed about our business, we may make "forward-looking statements." Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements generally include statements containing:

- projections about accounting and finances;
- plans and objectives for the future;
- projections or estimates about assumptions relating to our performance; and
- our opinions, views or beliefs about the effects of current or future events, circumstances or performance.

You should view these statements with caution. These statements are not guarantees of future performance, circumstances or events. They are based on the facts and circumstances known to us as of the date the statements are made. All phases of our business are subject to uncertainties, risks and other influences, many of which we do not control. Any of these factors, either alone or taken together, could have a material adverse effect on us and could change whether any forward-looking statement ultimately turns out to be true. Additionally, we assume no obligation to update any forward-looking statement as a result of future events, circumstances or developments. The following discussion should be read together with the Condensed Consolidated Financial Statements and the notes thereto.

Some of the risks that we face and that could affect our business and financial statements for 2008 and beyond include the following:

- competition may negatively affect our profitability or cash flows, our price increases may have negative effects on volumes, and price roll-backs and lower than average pricing to retain and attract customers may negatively affect our yield on base business;
- we may be unable to maintain or expand margins if we are unable to control costs or raise prices;
- we may not be able to successfully execute or continue our operational or other margin improvement plans and programs, including pricing increases, passing on increased costs to our customers, reducing costs due to our operational improvement programs, and divesting under-performing assets and purchasing accretive businesses, any of which could negatively affect our revenues and margins;
- weather conditions cause our quarter-to-quarter results to fluctuate, and harsh weather or natural disasters may cause us to temporarily shut down operations;
- continued volatility and further deterioration in the credit markets, inflation, higher interest rates and other general and local economic conditions may negatively affect the volumes of waste generated, our liquidity, our financing costs and other expenses;
- economic conditions may negatively affect parties with whom we do business, which could result in late payments or the uncollectability of receivables as well as the non-performance of certain agreements, including expected funding under our credit agreement, which could negatively impact our liquidity and results of operations;
- possible changes in our estimates of costs for site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments may increase our expenses;
- regulations may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring additional capital expenditures;
- climate change legislation, including possible limits on carbon emissions, may negatively impact our results of operations by increasing expenses related to tracking, measuring and reporting our greenhouse gas emissions and increasing operating costs and capital expenditures that may be required to comply with any such legislation;

- if we are unable to obtain and maintain permits needed to open, operate, and/or expand our facilities, our results of operations will be negatively impacted;
- limitations or bans on disposal or transportation of out-of-state, cross-border, or certain categories of waste, as well as mandates on the disposal of waste, can increase our expenses and reduce our revenue;
- fuel price increases or fuel supply shortages may increase our expenses or restrict our ability to operate;
- increased costs or the inability to obtain financial assurance or the inadequacy of our insurance coverages could negatively impact our liquidity and increase our liabilities;
- possible charges as a result of shut-down operations, uncompleted development or expansion projects or other events may negatively affect earnings;
- fluctuations in commodity prices may have negative effects on our operating results;
- trends requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of waste could have negative effects on volumes of waste going to landfills and waste-to-energy facilities;
- efforts by labor unions to organize our employees may increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to labor disruptions, including strikes and lock-outs, which could adversely affect our results of operations and cash flows;
- negative outcomes of litigation or threatened litigation or governmental proceedings may increase our costs, limit our ability to conduct or expand our operations, or limit our ability to execute our business plans and strategies;
- problems with the operation of our current information technology or the development and deployment of new information systems could decrease our efficiencies, increase our costs, or lead to an impairment charge;
- the adoption of new accounting standards or interpretations may cause fluctuations in reported quarterly results of operations or adversely impact our reported results of operations; and
- we may reduce or permanently eliminate our dividend or share repurchase program, reduce capital spending and cease acquisitions if cash flows are less than we expect and we are not able to obtain capital needed to refinance our debt obligations, including near-term maturities, on acceptable terms.

General

Our principal executive offices are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002. Our telephone number at that address is (713) 512-6200. Our website address is http://www.wm.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K are all available, free of charge, on our website as soon as practicable after we file the reports with the SEC. Our stock is traded on the New York Stock Exchange under the symbol “WMI.”

We are the leading provider of integrated waste services in North America. Using our vast network of assets and employees, we provide a comprehensive range of waste management services. Through our subsidiaries we provide collection, transfer, recycling, disposal and waste-to-energy services. In providing these services, we actively pursue projects and initiatives that we believe make a positive difference for our environment, including using waste-to-energy technology to convert solid waste into clean, renewable electric power; expanding our network of material recovery facilities to promote recycling efforts as a means to protecting natural resources and conserving energy; and recovering and processing the methane gas produced naturally by landfills into a renewable energy source. Our customers include commercial, industrial, municipal and residential customers, other waste management companies, electric utilities and governmental entities.

Overview

Our operating results for the third quarter of 2008 were strong, reflecting continued progress in both earnings growth and margin expansion. Highlights from the quarter include:

- An increase in revenues of $122 million, or 3.6%, from $3,403 million in the third quarter of 2007 to $3,525 million in the current period;
- An increase in reported diluted earnings per share of 16.7%, from $0.54 in the third quarter of 2007 to $0.63 in the current period;
- An increase in income from operations of 11.9%, from $565 million in the third quarter of 2007 to $632 million in the current period; and
- Margin growth, reflected by income from operations as a percentage of revenue, of 130 basis points, from 16.6% in the third quarter of 2007 to 17.9% in the current period.

We believe that our financial results this quarter continue to be particularly impressive given the strong headwinds we continue to face. The most significant challenges of the current quarter were record high fuel prices and volume declines due to pricing competition and the general downturn in the economy, including the sharp decline in construction in many parts of the country.

Our operating costs increased by $78 million, or 3.6% in the current period, while our operating costs as a percentage of revenue remained flat at 63.0% in both the current period and prior year. The largest contributor to the increased costs was fuel, followed by costs of good sold in our recycling operations as a result of higher commodity prices. Additionally, we recognized $26 million of operating expenses during the current quarter for a labor disruption in the Milwaukee, Wisconsin area, which resulted in higher than expected operating expenses for the period. Notwithstanding these difficulties, we were able to maintain our operating expenses as a percentage of revenue because of our disciplined approach to controlling our costs and our focus on operational excellence and safety. Our selling, general and administrative costs increased by $4 million, or 1.1%, in the third quarter of 2008, as compared with the prior year period due in large part to $5 million of professional fees incurred to support our previously proposed acquisition of Republic Services, Inc. and higher labor and benefit costs, which were partially offset by decreases in consulting fees paid for our strategic initiatives. As a percentage of revenue, our selling, general and administrative costs declined to 10.5% in the current period compared with 10.7% in the prior year period.

As is our practice, we are including free cash flow, which is a non-GAAP measure of liquidity, in our disclosures because we use this measure in the evaluation and management of our business. We also believe it is indicative of our ability to pay our quarterly dividends, repurchase common stock, fund acquisitions and other investments, and, in the absence of refinancings, to repay our debt obligations. Free cash flow is not intended to replace “Net cash provided by operating activities,” which is the most comparable GAAP measure. However, by subtracting cash used for capital expenditures and adding the cash proceeds from divestitures and other asset sales, we believe free cash flow gives investors greater insight into how we view our liquidity. Nonetheless, the use of free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that we have committed to, such as declared dividend payments and debt service requirements.

We calculate free cash flow as shown in the table below (in millions), which may not be the same as similarly titled measures presented by other companies:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net cash provided by operating activities	$ 771	$ 771	$ 1,902	$ 1,846
Capital expenditures	(301)	(240)	(787)	(721)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	54	19	92	235
Free cash flow	$ 524	$ 550	$ 1,207	$ 1,360

Free cash flow for the third quarter of 2008 decreased by $26 million, or 4.7%, when compared with the prior year period. The decline is a result of higher capital spending in the current year period due to increased fleet spending offset, in part, by an increase in proceeds from divestitures of businesses and other sales of assets. On a year-to-date basis, our operating cash flows have increased by $56 million, or 3.0%, which we believe is indicative of our focus on earnings growth and our ability to generate strong and consistent cash flow from operations.

Outlook

The recent distress in the financial markets did not have a significant impact on our financial position, results of operations or liquidity in the third quarter of 2008. However, as noted below, the recent volatility and disruption of the credit markets was a significant factor in our decision to withdraw our proposal to acquire the outstanding common stock of Republic Services, Inc. Additionally, depending on events that are beyond our control, it is possible that we may not have access to the credit markets if we were to try to access those markets in the foreseeable future. If the credit markets are not available to us, or are not available on terms we deem acceptable, we expect to rely on our available cash, our existing credit facility and the cash we generate from our operations to meet our debt repayment and other obligations. At September 30, 2008, we had over $500 million of cash and cash equivalents on hand. We also had $897 million of available capacity under our revolving credit facility, which is with a diverse portfolio of banks. See the *"Liquidity and Capital Resources"* section for additional discussion of our debt maturities and our credit facility.

The expected weakness in the overall economy and any continued lack of liquidity in the credit markets may continue to put negative pressure on both consumer and business spending, resulting in less consumption and waste produced. However, we believe that we are well positioned to weather the current crisis. We provide services that are essential in any economic environment. Additionally, although our levels of net cash provided by operating activities may be negatively affected by general economic conditions, we believe that we will continue to generate strong cash flow from operations, which, along with our available cash and existing credit facility, will provide the means needed to meet our debt repayment obligations during the next 12 months. Our discretionary spending includes capital expenditures for equipment, acquisitions of assets and businesses and repurchases of our common stock. To the extent operating cash flows decline, we have the ability to reduce our discretionary spending while continuing to focus on delivering superior service to our customers and a strong financial performance for our stockholders.

During the third quarter of 2008, we made two proposals to the Board of Directors of Republic to acquire all of Republic's outstanding shares of common stock in an all-cash merger, first at $34 per share and then at $37 per share. Subsequent to each proposal, Republic announced that its Board of Directors had declined to authorize Republic to provide us with information or engage in discussions and negotiations with us. On October 13, 2008, we announced that we were withdrawing our proposal to acquire all of the outstanding shares of Republic Services, Inc. due to the current state of the financial markets.

Our outlook for the fourth quarter of 2008 and early 2009 has also been affected by recent changes in the recyclable commodities markets. Over the years, the recyclables that we process have been subject to significant market price fluctuations, and in 2008, increases in the prices of recycling commodities have contributed to our revenue growth, margin expansion and earnings. In October 2008, we have seen significant dislocation in the commodities markets, including substantial reductions in demand from the Asian markets, which is resulting in difficulties in selling recyclable commodities and sharp declines in commodity prices. This market downturn will reduce our revenues and may negatively affect our earnings and operating cash flows for the remainder of the year.

Critical Accounting Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, stockholders' equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. In preparing our financial statements the most difficult, subjective and complex estimates and the assumptions that deal with the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments and self-insurance reserves and recoveries, as described in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2007. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

Results of Operations

Operating Revenues

Our operating revenues for the three and nine months ended September 30, 2008 were $3.5 billion and $10.3 billion, respectively, compared with $3.4 billion and $9.9 billion for the three and nine months ended September 30, 2007, respectively. Shown below (in millions) is the contribution to revenues during each period provided by our six operating Groups and our other waste services:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Eastern	$ 826	$ 841	$ 2,430	$ 2,480
Midwest	831	821	2,402	2,345
Southern	935	923	2,788	2,770
Western	861	851	2,519	2,514
Wheelabrator	245	222	683	649
WMRA	296	248	846	693
Other	87	80	246	218
Intercompany	(556)	(583)	(1,634)	(1,720)
Total	$ 3,525	$ 3,403	$ 10,280	$ 9,949

The mix of operating revenues from our major lines of business is reflected in the table below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Collection	$ 2,233	$ 2,210	$ 6,608	$ 6,524
Landfill	787	789	2,258	2,300
Transfer	417	426	1,221	1,248
Wheelabrator	245	222	683	649
Recycling	344	294	988	828
Other	55	45	156	120
Intercompany	(556)	(583)	(1,634)	(1,720)
Total	$ 3,525	$ 3,403	$ 10,280	$ 9,949

The following table provides details associated with the period-to-period change in revenues (dollars in millions) along with an explanation of the significant components of the current period changes:

	Period-to-Period Change for the Three Months Ended September 30, 2008 and 2007		Period-to-Period Change for the Nine Months Ended September 30, 2008 and 2007	
Average yield:				
Base business	$ 92	2.7%	$ 295	3.0%
Commodity	51	1.5	178	1.8
Electricity (IPPs)	5	0.2	7	—
Fuel surcharges and mandated fees	77	2.3	193	2.0
Total	225	6.7	673	6.8
Volume	(108)	(3.2)	(359)	(3.6)
Internal revenue growth	117	3.5	314	3.2
Acquisitions	28	0.8	85	0.8
Divestitures	(24)	(0.7)	(110)	(1.1)
Foreign currency translation	1	—	42	0.4
	$ 122	3.6%	$ 331	3.3%

Base Business — Yield on base business reflects the effect on our revenue from the pricing activities of our collection, transfer, disposal and waste-to-energy operations, exclusive of volume changes. Revenue growth from base business yield includes not only price and environmental and service fee increases, but also (i) certain average price changes related to the overall mix of services, which are due to both the types of services provided and the geographic locations where our services are provided; (ii) changes in average price from new and lost business; and (iii) price decreases to retain customers.

Our pricing excellence initiative continues to be the primary contributor to our revenue growth from base business yield when comparing the three and nine months ended September 30, 2008 with the comparable prior year periods. The increase in revenue from base business yield continues to be driven by our collection pricing programs, although pricing at our transfer stations and for landfill municipal solid waste streams also contributed significant improvements.

In addition to the revenue growth provided by our pricing initiatives, we also saw an increase in revenue from yield at our waste-to-energy facilities. This increase was largely due to annual rate increases for electricity under long-term contracts and favorable energy market pricing, which is generally indexed to natural gas prices.

Revenues from our environmental fee increased our base business yield by $13 million and $48 million when comparing the three and nine months ended September 30, 2008, respectively, with the comparable prior year periods. The increase in revenues from our environmental fee is due to an increase of 1.2% in the fee charged to customers receiving services subject to the fee.

Commodity — Increases in the prices of recycling commodities contributed $51 million and $178 million of revenue growth during the three and nine months ended September 30, 2008, respectively. For the nine months ended September 30, 2008, average prices for old corrugated cardboard increased by 10% and average prices for old newsprint increased by 30%. While market prices for commodities remained strong throughout the third quarter, we did see a 9% decline in average prices for old corrugated cardboard when comparing the three months ended September 30, 2008 with the comparable prior year period. Over 50% of the increase in revenue from yield on our recycling operations is associated with our relatively lower margin brokerage activities.

Fuel surcharges and mandated fees — Fuel surcharges increased revenues by $77 million and $194 million when comparing the three and nine months ended September 30, 2008, respectively, with the comparable prior year periods. This increase is due to our continued effort to pass on our higher fuel costs to our customers through fuel surcharges. Although our fuel surcharge program is designed to respond to changes in the market price for fuel, there is an administrative delay between the time our fuel costs change and when we are able to make the corresponding change in our fuel surcharges. This delay negatively affected our ability to fully recover our cost increases in the first six months of 2008 as the increases in our fuel surcharges consistently lagged the sharp increases in fuel costs throughout the first half of the year. However, the cost of fuel began to decline during the third quarter of 2008, allowing us to fully recover the fuel costs we incurred during the period.

The mandated fees included in this line item are primarily related to the pass-through of fees and taxes assessed by various state, county and municipal governmental agencies at our landfills and transfer stations. These mandated fees have not had a significant impact on the comparability of revenues for the periods included in the table above.

Volume — The $108 million and $359 million declines in revenues due to lower volumes when comparing the three and nine months ended September 30, 2008 with the corresponding prior year periods have been driven by declines in our collection volumes. Declines in revenues due to reduced volumes in our collection business were $115 million for the three-month period and $345 million for the nine-month period. Our revenues from collection volumes continue to be affected by our focus on improving margins through increased pricing. However, the slowdown in the economy continues to have a significant impact, particularly on our commercial and industrial collection lines of business. Our industrial collection operations experienced the most significant revenue declines due to lower volumes as a result of the continued slowdown in construction activities across the United States.

Third-party revenue at our landfills is relatively flat when comparing the three and nine months ended September 30, 2008 with the comparable prior year periods. Throughout 2008, we have experienced declines in third-party revenue at our landfills due to reduced construction and demolition and municipal solid waste volumes, although the volume decline in our construction and demolition waste stream is at a slower rate than it had been in the past several quarters. In both the second and third quarters of 2008, these volume declines have been more than offset by an increase in special waste disposal volumes, principally in our Southern Group.

Acquisitions and divestitures — Revenues increased $28 million during the three months ended September 30, 2008 due to acquisitions, while divestitures accounted for decreased revenues of $24 million for the same period. In both the second and third quarters of 2008, revenue growth from acquisitions exceeded revenue declines from divestitures, a trend we had not seen in over two years. This change reflects (i) that there are less under-performing operations that are being considered for divestiture and (ii) the resulting shift of focus to accretive acquisitions. Acquisitions contributed $85 million of additional revenues when comparing the nine months ended September 30, 2008 with the comparable prior year period, and divestitures of under-performing or non-strategic operations accounted for decreased revenues of $110 million.

Operating Expenses

The following table summarizes the major components of our operating expenses, including the impact of foreign currency translation, for the three- and nine-month periods ended September 30 (dollars in millions):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Period-to-Period Change		Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Period-to-Period Change	
Labor and related benefits	$ 625	$ 610	$ 15	2.5%	$ 1,820	$ 1,805	$ 15	0.8%
Transfer and disposal costs	274	293	(19)	(6.5)	810	868	(58)	(6.7)
Maintenance and repairs	260	262	(2)	(0.8)	815	808	7	0.9
Subcontractor costs	239	234	5	2.1	695	673	22	3.3
Cost of goods sold	237	205	32	15.6	667	557	110	19.7
Fuel	205	145	60	41.4	585	419	166	39.6
Disposal and franchise fees and taxes	160	154	6	3.9	462	450	12	2.7
Landfill operating costs	63	63	—	—	194	187	7	3.7
Risk management	53	63	(10)	(15.9)	158	175	(17)	(9.7)
Other	105	114	(9)	(7.9)	288	327	(39)	(11.9)
	$ 2,221	$ 2,143	$ 78	3.6	$ 6,494	$ 6,269	$ 225	3.6

The increases in our operating expenses during the three and nine months ended September 30, 2008 can largely be attributed to the following:

- *Fuel cost increases* — On average, diesel fuel prices increased 50% from $2.90 per gallon in the third quarter of 2007 to $4.34 per gallon in the third quarter of 2008. For the nine months ended September 30, 2008, the average diesel fuel price increased 49% from $2.75 per gallon for the first nine months of 2007 to $4.10 per gallon for the first nine months of 2008. Higher fuel costs caused increases in both our direct fuel costs and our subcontractor costs throughout 2008.

- *Higher market prices for commodities* — Market prices for commodities rose sharply when comparing the three and nine months ended September 30, 2008 with the corresponding prior year periods. This significant increase in market prices was the driver of the current quarter and year-to-date increases in cost of goods sold.

- *Strengthening of the Canadian dollar* — When comparing the average exchange rate for the nine months ended September 30, 2008 with the same 2007 period, the Canadian rate strengthened by approximately 8%, increasing total operating expenses by $33 million. Average Canadian exchange rates were relatively flat when comparing the three-month periods, resulting in an insignificant impact on our operating expenses.

Our operating expenses for the three and nine months ended September 30, 2008 were also significantly affected by a labor disruption associated with the renegotiation of a collective bargaining agreement in Milwaukee, Wisconsin and the related agreement of the bargaining unit to withdraw from the Central States Pension Fund, which is discussed in Note 7 to the Condensed Consolidated Financial Statements. These activities increased the operating expenses of our Midwest Group by $26 million during the third quarter of 2008, of which $21 million was included in the “Labor and related benefits” category and $5 million was included in “Other.” Approximately $18 million of the additional labor and benefits costs was associated with a charge related to the bargaining unit agreeing to our proposal to withdraw them from the Teamsters’ underfunded multi-employer pension fund. The remaining costs incurred were related to security and the deployment and lodging costs incurred for the Company’s replacement workers who were brought to Milwaukee from across the organization.

Our Western Group incurred “Other” operating expenses of $23 million during the three months ended September 30, 2007 and $26 million during the nine months ended September 30, 2007 for security, labor, lodging and travel costs incurred as a result of a labor disruption in Oakland, California.

After considering the significant impacts that fuel, commodity prices, foreign currency translation and the renegotiation of the Milwaukee collective bargaining agreement have had on our 2008 operating expenses, we are encouraged that our results continue to reflect our focus on (i) identifying operational efficiencies that translate into cost savings; (ii) managing our fixed costs and reducing our variable costs as volumes decline due to our pricing program and the downturn in the economy; and (iii) reducing our costs in light of recent divestitures.

Other items affecting the comparability of our operating expenses by category for the three and nine months ended September 30, 2008 and 2007 include the following:

- *Labor and related benefits* — In addition to the $18 million charge mentioned above for the agreed-upon withdrawal of the Milwaukee bargaining unit from the Central States Pension Fund, we have experienced higher labor costs in the current year due to (i) annual merit increases and (ii) additional overtime and other labor costs attributed to severe winter weather conditions experienced during the first quarter of 2008 in our Midwest Group. In spite of these cost increases, we have been able to maintain our overall labor and benefits cost levels by focusing on operational efficiencies that result in cost savings.
- *Transfer and disposal costs* — These costs have decreased due to volume declines and, to a lesser extent, divestitures, which largely impacted the first quarter of 2008.
- *Cost of goods sold* — During the second and third quarters of 2008, we experienced lower brokerage and recycling facility volumes, which we believe were generally due to pricing competition and the downturn in the economy. These volume declines partially offset the effect of higher commodity prices on our cost of goods sold.
- *Disposal and franchise fees and taxes* — The favorable resolution of a tax matter in our Eastern Group reduced expenses by $15 million during the first quarter of 2007 and by $3 million during both the third quarter of 2007 and first quarter of 2008. In addition, volume declines have reduced these costs during the nine months ended September 30, 2008.
- *Landfill operating costs* — The year-to-date increase in costs during 2008 can be attributed to (i) the unfavorable impact of the January 1, 2008 adoption of SFAS No. 157, which resulted in a $6 million charge to landfill operating costs; (ii) increased leachate collection, trucking, treatment and disposal costs that were attributed, in part, to higher precipitation levels experienced across much of the country during the first half of 2008; and (iii) charges recognized during the second quarter of 2008 for changes in the expected costs for the settlement of environmental remediation obligations. Our landfill operating costs for the nine months ended September 30, 2007 included an $8 million charge for a revision in our estimate associated with remediation costs at one of our closed landfills.
- *Risk management* — These costs have decreased throughout 2008, particularly for reduced actuarial projections of claim losses for workers' compensation and auto and general liability claims, which can be attributed to our continued focus on safety and reduced accident and injury rates.
- *Other* — The comparison of these costs for the nine-month period is significantly affected by $21 million of lease termination costs recognized in the first quarter of 2007 due to the purchase of one of our independent power production plants that we had previously operated through a lease agreement.

Selling, General and Administrative

The following table summarizes the major components of our selling, general and administrative costs for the three- and nine-month periods ended September 30 (dollars in millions):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Period-to-Period Change		Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Period-to-Period Change	
Labor and related benefits	$ 214	$ 210	$ 4	1.9%	$ 648	$ 623	$ 25	4.0%
Professional fees	44	43	1	2.3	116	116	—	—
Provision for bad debts	14	13	1	7.7	37	32	5	15.6
Other	97	99	(2)	(2.0)	294	290	4	1.4
	$ 369	$ 365	$ 4	1.1	$ 1,095	$ 1,061	$ 34	3.2

Labor and related benefits — The current year increases are primarily attributable to (i) higher salaries and hourly wages driven by annual merit raises and an overall increase in headcount; (ii) higher non-cash compensation costs associated with the equity-based compensation provided for by our long-term incentive plans; and (iii) higher year-to-date insurance and benefit costs. These increases were partially offset by lower bonus expenses accrued in 2008.

Professional fees — Although our professional fees are relatively flat when comparing the three and nine months ended September 30, 2008 with the comparable prior year periods, we incurred significant costs in each year that are of a non-recurring nature. In 2008, we incurred $5 million of legal and consulting costs to support our previously proposed acquisition of Republic Services, Inc. In 2007, our consulting fees were higher due to increased spending for various strategic initiatives, including the support and development of the SAP waste and recycling revenue management system, which we discontinued development of in early 2008. For information related to the current status of our pending litigation against SAP, refer to Note 7 of our Condensed Consolidated Financial Statements.

Other — Our continued focus on our sales, marketing and other initiatives and identifying new customers resulted in increases in our advertising costs and travel and entertainment costs in the current year. When comparing the nine months ended September 30, 2008 with the comparable prior year period, these increases were partially offset by the impact of the $4 million charge recognized during the first quarter of 2007 as a result of an unclaimed property audit settlement.

Depreciation and Amortization

The following table summarizes the components of our depreciation and amortization costs for the three- and nine-month periods ended September 30 (dollars in millions):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Period-to-Period Change		Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Period-to-Period Change	
Depreciation of tangible property and equipment	$ 197	$ 200	$ (3)	(1.5)%	$ 592	$ 598	$ (6)	(1.0)%
Amortization of landfill airspace	124	125	(1)	(0.8)	332	348	(16)	(4.6)
Amortization of intangible assets	5	6	(1)	*	17	17	—	—
	$ 326	$ 331	$ (5)	(1.5)	$ 941	$ 963	$ (22)	(2.3)

* Percentage change does not provide a meaningful comparison.

The decrease in depreciation and amortization expense in 2008 can generally be attributed to landfill volume declines, although landfill volumes did begin to stabilize in the third quarter. During the third quarter of 2008, we recognized a $6 million charge to landfill amortization expense for revisions in estimates of final capping, closure and post-closure cost estimates, which largely offset the impacts of reduced landfill amortization expense due to lower volumes.

Restructuring

In the first quarter of 2007, certain operations and functions were restructured, resulting in the recognition of a pre-tax charge of approximately $9 million. We incurred an additional $1 million of pre-tax costs for this restructuring during the second quarter of 2007, increasing the pre-tax costs incurred to date to $10 million. Approximately $7 million of our restructuring costs was incurred by our Corporate organization, $2 million was incurred by our Midwest Group and $1 million was incurred by our Western Group. These charges included approximately $8 million for employee severance and benefit costs and approximately $2 million related to operating lease agreements.

(Income) Expense from Divestitures, Asset Impairments and Unusual Items

(Income) expense from divestitures (including held-for-sale impairments) — We recognized $28 million of net gains from divestitures during the nine months ended September 30, 2008 related to the divestiture of under-performing collection operations in our Southern Group, $2 million of which was recognized during the first quarter of 2008 and $26 million of which was recognized during the third quarter of 2008. Total proceeds from divestitures completed during the nine months ended September 30, 2008 were $48 million, which were primarily received in cash.

We recognized $44 million of net gains from divestitures during the nine months ended September 30, 2007. We recognized $9 million of net gains from divestitures during the first quarter of 2007 that were primarily related to collection and disposal operations in our Southern Group; $33 million of net gains from divestitures during the second quarter of 2007 that were primarily related to collection and transfer operations in our Eastern Group, collection operations in our Western Group and WMRA operations; and $2 million of net gains from divestitures during the third quarter of 2007. Total proceeds from divestitures completed during the nine months ended September 30, 2007 were $186 million, which were primarily received in cash.

Impairments of assets held-for-use — During the third quarter of 2008, we recognized a $3 million impairment charge as a result of a decision to close a landfill in our Southern Group. During the nine months ended September 30, 2007, we recognized $11 million in impairment charges for our landfill line of business. These charges were principally due to impairments recognized during the first quarter of 2007 for two landfills in our Southern Group. The impairments were necessary as a result of the re-evaluation of our business alternatives for one landfill and the expiration of a contract that we had expected would be renewed that had significantly contributed to the volumes for the second landfill.

Income From Operations by Reportable Segment

The following table summarizes income from operations by reportable segment for the three- and nine-month periods ended September 30 and provides explanations of significant factors contributing to the identified variances (dollars in millions):

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Period-to-Period Change		Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	Period-to-Period Change	
Operating segments:								
Eastern	$ 135	$ 124	$ 11	8.9%	$ 390	$ 396	$ (6)	(1.5)%
Midwest	119	139	(20)	(14.4)	356	374	(18)	(4.8)
Southern	225	201	24	11.9	653	617	36	5.8
Western	151	140	11	7.9	463	455	8	1.8
Wheelabrator	104	90	14	15.6	239	205	34	16.6
WMRA	26	20	6	30.0	69	61	8	13.1
Other	(12)	(12)	—	—	(41)	(33)	(8)	*
	748	702	46	6.6	2,129	2,075	54	2.6
Corporate and Other	(116)	(137)	21	(15.3)	(354)	(396)	42	(10.6)
Total	$ 632	$ 565	$ 67	11.9	$ 1,775	$ 1,679	$ 96	5.7

* Percentage change does not provide a meaningful comparison.

Operating segments — The most significant items affecting the results of operations of our geographic operating segments continue to be (i) increased revenue from yield on base business as a result of our pricing strategies, particularly in our collection operations; (ii) declines in revenues due to lower volumes, which can be attributed to pricing competition, the significant downturn in construction and the slowdown of the general economy; (iii) our continued focus on controlling costs through operating efficiencies; and (iv) the unfavorable effect on operating margins of significantly higher fuel costs.

Other significant items affecting the comparability of the operating segments' results of operations for the three- and nine-month periods ended September 30, 2008 and 2007 are summarized below:

Eastern — The Group's operating income for the nine months ended September 30, 2007 includes (i) an $18 million decrease in disposal fees and taxes due to the favorable resolution of a disposal tax matter and (ii) a $25 million net gain on divestitures. The same disposal tax matter resulted in a $3 million decrease in disposal fees and taxes in the first quarter of 2008. The impact of the disposal tax resolution in both periods is included as a reduction to "Operating" expenses in our Statements of Operations. When excluding the impact of these items, the growth in the Group's operating income for the three and nine months ended September 30, 2008 was largely due to (i) margin expansion provided by our pricing strategies and focus on controlling costs; (ii) the divestiture of under-performing businesses and the acquisition of accretive operations; and (iii) an increase in the profitability of a significant transfer contract.

Midwest — The Group's third quarter 2008 operating results were negatively affected by $26 million of additional operating expenses incurred as a result of a labor dispute in Milwaukee, Wisconsin. Included in these labor dispute expenses is an $18 million charge related to that location's bargaining unit agreeing to our proposal to withdraw the bargaining unit from the Teamsters' underfunded Central States Pension Fund. Also affecting the comparability of the Group's income from operations for the periods presented were the negative impacts of unfavorable weather conditions in the first quarter 2008.

Southern — In the third quarter of 2008, the Group's net increase in operating income is primarily due to a $26 million divestiture gain offset partially by a $3 million landfill impairment charge. Further affecting the comparability of the year-to-date operating income were the recognition of (i) first quarter 2007 impairment charges of $10 million attributable to two landfills, (ii) 2007 year-to-date gains on divestitures of $9 million, $7 million of which was recognized during the first quarter of 2007; and (iii) first quarter 2008 divestiture gains of $3 million.

Western — The comparability of the Group's operating results for the reported periods has been most significantly affected by the negative impacts of a labor dispute in Oakland, California in 2007, which negatively affected operating income by $25 million for the three months ended September 30, 2007 and $28 million for the nine months ended September 30, 2007. Other items affecting the comparability of the Group's results are (i) $7 million of unfavorable landfill amortization adjustments recognized during the third quarter of 2008 as a result of changes in estimates related to our final capping, closure, and post-closure obligations and (ii) increases in bad debt expense in the current year.

Wheelabrator — The increase in the Group's operating income when comparing the three months ended September 30, 2008 with the comparable prior year period is largely due to favorable energy market rates in the third quarter of 2008. Affecting the comparability of the Group's year-to-date operating income is a $21 million charge recognized in the first quarter of 2007 for the early termination of a lease agreement due to the Group's purchase of an independent power production plant that it had previously operated through a lease agreement.

WMRA — In the first nine months of 2007 and 2008, the Group's operating income benefited from substantial increases in market prices for commodities. In addition, the Group experienced income growth due to an increased focus on maintaining or reducing rebates made to suppliers. Higher than normal operating expenses, including higher subcontractor, repair and maintenance, and facility start-up costs, have negatively affected the Group's operating income in 2008. The comparison of the Group's year-to-date operating income for the periods presented has also been affected by $7 million of net gains from divestitures recognized during the nine months ended September 30, 2007.

Significant items affecting the comparability of the remaining components of our results of operations for the three-and nine-month periods ended September 30, 2008 and 2007 are summarized below:

Other — The changes in operating results are largely related to certain quarter-end adjustments recorded in consolidation related to our reportable segments that, due to timing, were not included in the measure of segment income from operations used to assess their performance for the periods disclosed.

Corporate and Other — The decline in expenses in 2008 as compared with 2007 is primarily due to (i) lower bonus expense in the current year; (ii) the recognition of approximately $6 million of restructuring charges during the first quarter of 2007 for employee severance and benefit costs; (iii) a $4 million charge during the first quarter of 2007 as a result of a settlement reached with one of the states participating in our unclaimed property audits; (iv) reduced risk management costs in 2008, which is attributable to reduced actuarial projections of claim losses for workers' compensation and auto and general liability claims; and (v) lower employee healthcare coverage expenses in the third quarter of 2008 due to unusually high claims experienced during the third quarter of 2007. These expense decreases were partially offset by costs incurred for the potential acquisition of Republic during the third quarter of 2008.

Other Components of Net Income

The following table summarizes the other major components of our net income for the three- and nine-month periods ended September 30 (dollars in millions):

	Three Months Ended September 30,		Period-to-Period Change		Nine Months Ended September 30,		Period-to-Period Change	
	2008	2007			2008	2007		
Interest expense	$ (114)	$ (128)	$ 14	(10.9)%	$ (341)	$ (395)	$ 54	(13.7)%
Interest income	5	10	(5)	*	14	39	(25)	*
Equity in net earnings (losses) of unconsolidated entities	—	1	(1)	*	(4)	(45)	41	*
Minority interest	(13)	(12)	(1)	8.3	(33)	(33)	—	—
Other, net	1	—	1	*	2	2	—	—
Provision for income taxes	201	158	43	*	544	393	151	*

* Percentage change does not provide a meaningful comparison.

Interest expense — Although our outstanding debt balances are relatively consistent year-over-year, our interest costs have declined significantly when comparing the three and nine months ended September 30, 2008 with the prior year periods. The decrease in interest expense is generally related to (i) the maturity of higher rate debt that we have refinanced at lower interest rates; (ii) a decline in market interest rates through late in the third quarter of 2008, which has reduced the interest expense associated with our interest rate swaps and our variable rate debt; and (iii) the early redemption of $244 million of 8.75% senior notes during the second quarter of 2008, which resulted in the recognition of a credit to interest expense of approximately $10 million for the immediate recognition of fair value adjustments associated with terminated interest rate swaps that had been deferred and were being amortized over the life of the debt.

Interest income — Decreases in our average cash and investment balances on a year-over-year basis resulted in a decline in interest income when comparing the three and nine months ended September 30, 2008 with the comparable prior year periods. In addition, interest income for the nine months ended September 30, 2007 included $7 million of interest income received in connection with a favorable resolution of a disposal tax matter in our Eastern Group.

Equity in net losses of unconsolidated entities — The significant decline in these losses in 2008 as compared with the prior year is due to the expiration of our investments in the two coal-based, synthetic fuel production facilities that have driven our equity losses for the last several years. The equity losses generated by the facilities were more than offset by the tax benefits realized as a result of the investments' generation of Section 45K tax credits.

Provision for income taxes — We recognized a provision for income taxes of $201 million during the third quarter of 2008, representing an effective tax rate of 39.3%, compared with a provision for income taxes of $158 million during the third quarter of 2007, representing a 36.1% effective tax rate. Our effective tax rate for the nine months ended September 30, 2008 was 38.5% compared with 31.5% for the nine months ended September 30, 2007. The significant increase in our provision for income taxes and our effective tax rate in 2008 is primarily due to (i) a decrease in the benefit of Section 45K tax credits due to the expiration of these tax credits at the end of 2007; and (ii) the impact of tax audit settlements. Section 45K tax credits reduced our provision for income taxes by $3 million during the nine months ended September 30, 2008 compared with $58 million during the comparable prior year period. The settlement of tax audits reduced our provision for income taxes by $13 million during 2008 compared with a $30 million reduction of our provision for income taxes during the nine months ended September 30, 2007. The increase in our provision for income taxes when comparing the nine months ended September 30, 2008 with the comparable prior year period is also due to the increase in our pre-tax income.

Liquidity and Capital Resources

Summary of Cash and Cash Equivalents, Restricted Trust and Escrow Accounts and Debt Obligations

The following is a summary of our cash, restricted trust and escrow accounts and debt balances as of September 30, 2008 and December 31, 2007 (in millions):

	September 30, 2008	December 31, 2007
Cash and cash equivalents	$ 504	$ 348
Restricted trust and escrow accounts:		
Tax-exempt bond funds	$ 158	$ 117
Closure, post-closure and environmental remediation funds	218	231
Debt service funds	49	47
Other	10	23
Total restricted trust and escrow accounts	$ 435	$ 418
Debt:		
Current portion of long-term debt	$ 816	$ 329
Long-term debt, less current portion	7,613	8,008
Total long-term debt	$ 8,429	$ 8,337
Percentage of total debt at variable interest rates	37%	34%
Increase in carrying value of debt due to hedge accounting for interest rate swaps	$ 58	$ 72

Changes in our outstanding debt balances from December 31, 2007 to September 30, 2008 can primarily be attributed to (i) $1,091 million of cash borrowings, including $594 million in net proceeds from the March 2008 issuance of $600 million of 6.1% senior notes; (ii) the cash repayment of $962 million of outstanding borrowings at their scheduled maturities; (iii) the early redemption of $244 million of 8.75% senior notes with a scheduled maturity in May 2018, that became callable by us in May 2008; (iv) non-cash proceeds from tax-exempt borrowings of $171 million; (v) a $14 million decrease in the carrying value of our debt due to hedge accounting for interest rate swaps; and (vi) the impacts of accounting for other non-cash changes in our balances due to foreign currency translation, interest and capital leases.

We have $1.3 billion of scheduled debt maturities during the next twelve months. We have classified $522 million of these borrowings as long-term as of September 30, 2008 based on our intent and ability to refinance these borrowings on a long-term basis.

We continually monitor our actual and forecasted cash flows, our liquidity and our access to capital resources to plan for our working capital, financial assurance and other cash needs. Our current liquidity and capital resource focus is (i) refinancing $386 million of senior notes that mature in November 2008 and $500 million of senior notes that mature in May 2009 and (ii) replacing the financial assurance capacity provided by the $350 million letter of credit facility that matures in December 2008. Through September 30, 2008, we had not experienced any unmanageable difficulty in accessing capital needed to support our ongoing operations or in obtaining financial assurance required for our tax-exempt financings or operations. However, given the recent distress in the financial markets, it is possible that we may not have access to the credit markets on reasonable terms in the foreseeable future. If the credit markets are not available to us, or are not available on terms we deem acceptable, we currently expect to rely on our available cash, cash flow generated from operations or the available capacity under our existing $2.4 billion revolving credit facility to meet our debt repayment obligations and to support the letters of credit currently issued under the $350 million facility that matures in December 2008.

Summary of Cash Flow Activity

The following is a summary of our cash flows for the nine-month periods ended September 30 (in millions):

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Net cash provided by operating activities	$ 1,902	$ 1,846
Net cash used in investing activities	$ (776)	$ (407)
Net cash used in financing activities	$ (970)	$ (1,519)

Net Cash Provided by Operating Activities — The most significant items affecting the comparison of our operating cash flows for the nine-month periods ended September 30, 2008 and 2007 are summarized below:

- *Earnings improvements* — Our income from operations, net of depreciation and amortization, increased by $74 million when comparing the nine months ended September 30, 2008 with the comparable prior year period. The increase in operating income has positively affected our cash flows from operations in 2008.
- *Changes in accounts payable and accrued liabilities* — Although aggregate changes in accounts payable and accrued liabilities did not significantly affect the comparison of our cash flows from operations for the reported periods, the following variances within our operating liabilities did have notable effects on operating cash flows:
  - *Accounts payable processes* — In 2008, we began various initiatives to improve our working capital management, including reviewing our accounts payable process to ensure vendor payments are made on a basis that results in more optimal cash management. The changes made to the timing of our vendor payments favorably affected the comparison of our cash flow from operations for the nine months ended September 30, 2008 with the comparable prior year period.
  - *Increased income tax payments* — Cash paid for income taxes, net of excess tax benefits associated with equity-based transactions, was approximately $170 million higher in the nine months ended September 30, 2008 due to an increase in both our taxable income and our effective tax rate.
  - *Decreased interest payments* — Cash paid for interest was approximately $30 million lower in the nine months ended September 30, 2008. This decline is due primarily to a decline in our weighted average borrowing rate, which can be attributed to the maturity of higher rate debt that we refinanced at lower rates and a decline in market interest rates through late in the third quarter of 2008.
- *Changes in receivables* — The primary driver of the change in our receivables for the nine months ended September 30, 2008 is the receipt of an outstanding receivable related to our investments in the synthetic fuel production facilities that provided us with Section 45K tax credits through 2007. Approximately $60 million of the cash we received represented amounts that we paid to the facilities during 2006 and 2007 for which we did not ultimately realize a tax benefit, and was reflected as an operating cash inflow in the third quarter of

2008. Additionally, our focus on working capital management and the timely collection of our trade receivables has favorably affected our cash flow from operations in the current year. For the nine months ended September 30, 2007, cash flows from operations was favorably affected by cash inflows associated with the collection of insurance, financial assurance and other receivables.

Net Cash Used in Investing Activities — The most significant items affecting the comparison of our investing cash flows for the nine-month periods ended September 30, 2008 and 2007 are summarized below:

- *Acquisitions and divestitures* — Proceeds from divestitures (net of cash divested) and other sales of assets were $92 million for the nine months ended September 30, 2008 compared with $235 million in the 2007 period. Our spending on acquisitions increased from $86 million for the nine months ended September 30, 2007 to $230 million for the nine months ended September 30, 2008. The decline in proceeds from divestitures and increase in acquisition spending is due to fewer under-performing businesses being for sale in 2008 and the resulting shift in focus to accretive acquisitions and other investments that will contribute to improved future results of operations and enhance and expand our existing service offerings.
- *Purchases and sales of short-term investments* — Net sales of short-term investments provided $67 million of cash during the nine months ended September 30, 2007, which was used to contribute to the funding of our common stock repurchases, dividend payments and debt repayments. We did not hold any short-term investments at December 31, 2007 or during the nine months ended September 30, 2008.
- *Capital expenditures* — We used $787 million during the nine months ended September 30, 2008 for capital expenditures, compared with $721 million in the 2007 period. Although our capital spending is higher than it was in 2007, our current year capital expenditures are currently in line with our expectations for the full year.
- *Net receipts from restricted funds* — Net funds received from our restricted trust and escrow accounts, which are largely generated from the issuance of tax-exempt bonds for our capital needs, contributed $142 million to our investing activities during the nine months ended September 30, 2008 compared with $121 million in the 2007 period. Requisitions of restricted funds for capital spending are higher in the current year due to an increase in tax-exempt borrowings.
- *Return of investment* — As discussed above, during the third quarter of 2008, we received a cash payment related to an outstanding receivable associated with our investments in the synthetic fuel production facilities that provided us with Section 45K tax credits through 2007. In addition to the $60 million operating cash inflow, we also received $23 million for the return of our investment in the facilities. This cash receipt was reflected as an "Other" investing cash inflow in the third quarter of 2008 and is the primary driver of the year-over-year change in that category of cash flows from investing activities.

Net Cash Used in Financing Activities — The most significant items affecting the comparison of our financing cash flows for the nine-month periods ended September 30, 2008 and 2007 are summarized below:

- *Share repurchases and dividend payments* — During the nine months ended September 30, 2008, we spent $410 million on share repurchases, a decrease of $649 million when compared with the prior year period. This decrease is largely due to management's decision to suspend share repurchases in July 2008 pending the outcome of our proposal to acquire Republic Services, Inc.

  We paid $399 million in aggregate cash dividends during the nine months ended September 30, 2008 compared with $374 million in the comparable 2007 period. The increase in dividend payments is due to our quarterly per share dividend increasing from $0.24 in 2007 to $0.27 in 2008, partially offset by a reduction in the number of our outstanding shares as a result of our share repurchase program.

  Dividend payments and share repurchases during the remainder of 2008 will be made at the discretion of the Board of Directors and management, and will depend on various factors, including our net earnings, our ability to access capital markets to refinance current debt maturities on a long-term basis, our financial condition, cash required for future acquisitions, and other factors the Board and our management may deem relevant.

- *Net debt repayments* — During the nine months ended September 30, 2008, net debt repayments were $115 million as compared with $219 million in the comparable 2007 period. The following summarizes our most significant cash borrowings and debt repayments made during each nine-month period (in millions):

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Borrowings:		
Revolving credit facility	$ 50	$ 439
Canadian credit facility	447	—
Senior notes	594	—
	$ 1,091	$ 439
Repayments:		
Revolving credit facility	$ (371)	$ (439)
Canadian credit facility	(496)	(66)
Senior notes	(244)	—
Tax exempt bonds	(38)	(78)
Capital leases and other debt	(57)	(75)
	$ (1,206)	$ (658)
Net repayments	$ (115)	$ (219)

- *Proceeds and tax benefits from the exercise of options and warrants* — The exercise of common stock options and warrants and the related excess tax benefits generated a total of $43 million of financing cash inflows during 2008, a decrease of $120 million from the comparable prior year period.
- *Accrued liabilities for checks written in excess of cash balances* — Changes in our accrued liabilities for checks written in excess of cash balances are reflected as "Other" financing activities in the Condensed Consolidated Statement of Cash Flows. There are often significant changes in these accrued liability balances at period ends, which are generally attributable to the timing of cash deposits.

Liquidity Impacts of Uncertain Tax Positions

We have liabilities associated with unrecognized tax benefits and related interest. These liabilities are primarily included as a component of long-term "Other liabilities" in our Condensed Consolidated Balance Sheet because the Company generally does not anticipate that settlement of the liabilities will require payment of cash within the next twelve months. We are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but do not believe that the ultimate settlement of our obligations will materially affect our liquidity.

Off-Balance Sheet Arrangements

We are party to guarantee arrangements with unconsolidated entities as discussed in the *Guarantees* section of Note 7 to the Condensed Consolidated Financial Statements. Our third-party guarantee arrangements are generally established to support our financial assurance needs and landfill operations. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2008 nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

Seasonal Trends and Inflation

Our operating revenues tend to be somewhat higher in the summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. Additionally, certain destructive weather conditions that tend to occur during the second half of the year, such as the hurricanes experienced in 2004 and 2005, can actually increase our revenues in the areas affected. However, for several reasons, including significant start-up costs, such revenue often generates comparatively lower margins. Certain weather conditions may result in the temporary suspension of our operations, which can significantly affect the operating results of the affected regions. The operating results of our first quarter also often reflect higher repair and maintenance expenses because we rely on the slower winter months, when waste flows are generally lower, to perform scheduled maintenance at our waste-to-energy facilities.

While inflationary increases in costs, including the cost of fuel, have affected our operating margins in recent periods, we believe that inflation generally has not had, and in the near future is not expected to have, any material adverse effect on our results of operations. However, management's estimates associated with inflation have had, and will continue to have, an impact on our accounting for landfill and certain environmental remediation liabilities.

Item 4. *Controls and Procedures.*

Effectiveness of Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information we are required to disclose in reports that we file or submit with the SEC is recorded, processed, summarized and reported within the time periods specified by the SEC. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports we file with the SEC is recorded, processed, summarized and reported within the time periods required by the SEC, and is accumulated and communicated to management, including our CEO and CFO, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Controls over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended September 30, 2008. We determined that there were no changes in our internal control over financial reporting during the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

Item 1. ***Legal Proceedings.***

Information regarding our legal proceedings can be found under the "Litigation" section of Note 7, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements.

Item 1A. ***Risk Factors.***

There have been no material changes from risk factors previously disclosed in our Form 10-K for the year ended December 31, 2007 in response to Item 1A to Part I of Form 10-K.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

Our Board of Directors approved a capital allocation program that provides a maximum of $1,584 million in combined cash dividends and common stock repurchases in 2008. All of the common stock repurchases made in 2008 have been pursuant to this capital allocation program. In July 2008, in connection with our proposal to acquire all of the outstanding shares of common stock of Republic Services, Inc., management decided to suspend repurchases of our common stock pending the outcome of decisions related to the proposal and the financing of the proposed acquisition. The following table summarizes our third quarter 2008 activity:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Maximum Dollar Value of Shares that May yet be Purchased Under the Plans or Programs(b)
July 1 — 31	204,626	$ 36.57	204,626	$ 775 Million
August 1 — 31	—		—	$ 775 Million
September 1 — 30	—		—	$ 775 Million
Total	204,626	$ 36.57	204,626	

(a) This amount represents the weighted average price paid per share and includes a per share commission paid for all repurchases.

(b) For each period presented, the maximum dollar value of shares that may yet be purchased under the program has been provided net of the $399 million of dividends declared and paid through the third quarter of 2008. However, this amount does not include the impact of payments we expect to make throughout the remainder of 2008 as a result of future dividend declarations. The approximate maximum dollar value of shares that may yet be purchased under the program is not necessarily an indication of the amount we intend to repurchase during the remainder of the year.

Item 6. ***Exhibits.***

Exhibit No.		Description
12	—	Computation of Ratio of Earnings to Fixed Charges
31.1	—	Certification Pursuant to Rule 15d — 14(a) under the Securities Exchange Act of 1934, as amended, of David P. Steiner, Chief Executive Officer
31.2	—	Certification Pursuant to Rule 15d — 14(a) under the Securities Exchange Act of 1934, as amended, of Robert G. Simpson, Senior Vice President and Chief Financial Officer
32.1	—	Certification Pursuant to 18 U.S.C. §1350 of David P. Steiner, Chief Executive Officer
32.2	—	Certification Pursuant to 18 U.S.C. §1350 of Robert G. Simpson, Senior Vice President and Chief Financial Officer

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/ ROBERT G. SIMPSON

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

WASTE MANAGEMENT, INC.

By: /s/ GREG A. ROBERTSON

Greg A. Robertson
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: October 30, 2008

EXHIBIT INDEX

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WASTE MANAGEMENT, INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In Millions, Except Ratios)
(Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Income before income taxes, losses in equity investments and minority interests	$ 1,450	$ 1,331
Fixed charges deducted from income:		
Interest expense	341	395
Implicit interest in rents	28	42
	369	437
Earnings available for fixed charges (a)	$ 1,819	$ 1,768
Interest expense	$ 341	$ 395
Capitalized interest	13	16
Implicit interest in rents	28	42
Total fixed charges (a)	$ 382	$ 453
Ratio of earnings to fixed charges	4.8x	3.9x

(a) To the extent interest may be assessed by taxing authorities on any underpayment of income tax, such amounts are classified as a component of income tax expense in our Statements of Operations. For purposes of this disclosure, we have elected to exclude interest expense related to income tax matters from our measurements of “Earnings available for fixed charges” and “Total fixed charges” for all periods presented.

SECTION 302 CERTIFICATION

I, David P. Steiner, certify that:

1. I have reviewed this report on Form 10-Q of Waste Management, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15(e) and 15d — 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a — 15 (f) and 15d — 15 (f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2008

By: /s/ David P. Steiner
David P. Steiner
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, Robert G. Simpson, certify that:

1. I have reviewed this report on Form 10-Q of Waste Management, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15(e) and 15d — 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a — 15 (f) and 15d — 15 (f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2008

By: /s/ Robert G. Simpson
Robert G. Simpson
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Waste Management, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David P. Steiner, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David P. Steiner
David P. Steiner
Chief Executive Officer

October 30, 2008

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Waste Management, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert G. Simpson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Robert G. Simpson
Robert G. Simpson
Senior Vice President and Chief Financial Officer

October 30, 2008