

WASTE MANAGEMENT HOLDINGS INC

Form 424B3

March 03, 2008

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-137526

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
% Senior Notes due 2018	\$600,000,000	\$23,580
Guarantee of Senior Notes	\$600,000,000	(2)

(1) The registration fee of \$23,580 is calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended. Pursuant to Rule 457(p) under the Securities Act of 1933, as amended, a portion of the previously paid registration fee with respect to the proposed offering of unsold securities registered under Registration Statement on Form S-3 (Registration No. 333-97697) initially filed with the Securities Exchange Commission on August 6, 2002 is being applied to offset the \$23,580 registration fee in its entirety. Accordingly, no filing fee is being paid at this time.

(2) Pursuant to Rule 457(n), no separate fee for the guarantee is payable.

Table of Contents

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 3, 2008

**Preliminary Prospectus Supplement
(To Prospectus Dated September 22, 2006)**

\$

% Senior Notes due 2018

The notes will bear interest at the rate of % per year. Interest on the notes will accrue from March , 2008 and will be payable on March 15 and September 15 of each year, beginning September 15, 2008. The notes will mature on March 15, 2018.

The notes will be the senior obligations of Waste Management, Inc. and will be fully and unconditionally guaranteed by our wholly-owned subsidiary Waste Management Holdings, Inc. The notes will rank equally with all of our other senior indebtedness. The indenture under which we are issuing the notes does not restrict our ability to incur additional senior indebtedness.

We may redeem some or all of the notes at any time at the redemption prices described beginning on page S-14. If a change of control triggering event as described on page S-17 occurs, we may be required to offer to purchase the notes from holders.

Investing in the notes involves risks. See Risk Factors beginning on page S-3 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Price to Public(1)		Underwriting Discount		Proceeds to Us
	\$	%	\$	%	\$
Per Note		%		%	
Total	\$		\$		\$

(1) Plus accrued interest from March , 2008 if delivery occurs after that date.

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes to investors on or about March , 2008 only in book-entry form through the facilities of The Depository Trust Company and its participants, including Euroclear and Clearstream Luxembourg.

Joint Book-Running and Joint Lead Managers

Banc of America Securities LLC

JPMorgan

RBS Greenwich Capital

March , 2008

When making your investment decision in the notes, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus prepared by or on behalf of us. We have not authorized anyone to provide you with additional or different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement or that the information we previously filed with the SEC and incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results operations and prospects may have changed since those dates.

TABLE OF CONTENTS

	<u>Page</u>
Prospectus Supplement	
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-3
<u>Use of Proceeds</u>	S-10
<u>Ratio of Earnings to Fixed Charges</u>	S-11
<u>Capitalization</u>	S-12
<u>Description of Notes</u>	S-13
<u>Underwriting</u>	S-24
<u>Legal Matters</u>	S-25
<u>Experts</u>	S-25
Prospectus	
<u>Forward-Looking Statements</u>	1
<u>About this Prospectus</u>	2
<u>Incorporation by Reference</u>	3
<u>Where You Can Find More Information</u>	4
<u>The Company</u>	4
<u>Ratio of Earnings to Fixed Charges</u>	5
<u>Use of Proceeds</u>	5
<u>Description of Debt Securities</u>	5
<u>Description of Guarantees</u>	13
<u>Description of Capital Stock</u>	13
<u>Description of Other Securities</u>	15
<u>Plan of Distribution</u>	15
<u>Selling Securityholders</u>	17
<u>Legal Matters</u>	17
<u>Experts</u>	17

Table of Contents

SUMMARY

This summary highlights selected information from this prospectus supplement and the accompanying prospectus, but does not contain all information that may be important to you. This prospectus supplement and the accompanying prospectus include specific terms of the offering of the notes, information about our business and financial data. We encourage you to read this prospectus supplement and the accompanying prospectus, together with documents incorporated by reference, in their entirety before making an investment decision.

As used in this prospectus supplement, the terms Waste Management, we, us or our refer to Waste Management, Inc. and its subsidiaries, taken as a whole, unless the context clearly indicates otherwise.

About Waste Management

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 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.

Our principal 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 them with the SEC. Information on our website is not generally incorporated by reference into this prospectus supplement and does not constitute a part of this prospectus supplement. Our common stock is traded on the New York Stock Exchange under the symbol WMI.

About Waste Management Holdings, Inc.

Waste Management Holdings, Inc., which we refer to in this prospectus supplement as WM Holdings, is a direct wholly-owned subsidiary of Waste Management. WM Holdings is a holding company, the only assets of which are the equity interests of our operating subsidiaries.

Table of Contents

The Offering

Issuer	Waste Management, Inc.
Securities Offered	\$ million principal amount of % Senior Notes due 2018, subject to our right to issue additional notes of this series in the future.
Subsidiary Guarantee	WM Holdings will fully and unconditionally guarantee, on a senior unsecured basis, the full and prompt payment of the principal and any premium and interest on the notes, when and as it becomes due and payable, whether at maturity or otherwise.
Maturity Date	March 15, 2018
Interest Rate	%
Interest Payment Dates	March 15 and September 15 of each year, commencing September 15, 2008
Optional Redemption	<p>We may elect to redeem and repay any or all of the notes at any time in minimum principal amounts of \$2,000 or any integral of \$1,000 in excess thereof. We will pay an amount equal to the greater of 100% of the principal amount of the notes redeemed and repaid, or the sum of the present values of the remaining scheduled payments of principal and interest on the notes, as described on page S-14 of this prospectus supplement. We will also pay accrued interest to the redemption date.</p> <p>Please read Description of Notes Optional Redemption.</p>
Change of Control Offer	<p>If a change of control triggering event as described on page S-17 occurs, each holder of the notes may require us to purchase all or a portion of such holder's notes at a price equal to 101% of the principal amount, plus accrued interest, if any, to the date of purchase. See Description of Notes Change of Control Offer.</p>
Ranking	The notes and the guarantee will constitute the senior unsecured debt of Waste Management, Inc. and WM Holdings, respectively, and will rank equally with all of our and its other existing and future senior indebtedness from time to time outstanding.
Covenants	<p>We will issue the notes under an indenture containing covenants for your benefit. These covenants restrict our ability, with certain exceptions, to:</p> <ul style="list-style-type: none">create, incur or assume debt secured by liens;engage in sale and leaseback transactions; and

merge, consolidate or transfer all or substantially all of our assets.

Use of Proceeds

We expect the net proceeds from the offering of the notes to be approximately \$ million, after deducting underwriting discounts and commissions and estimated expenses of the offering that we will pay. These net proceeds will be used to retire our debt securities, borrowings under our revolving credit facility and for general corporate purposes. For more details, see Use of Proceeds.

Trustee

The Bank of New York Trust Company, N.A.

S-2

Table of Contents

RISK FACTORS

You should carefully consider the risks described below, the other information set forth in this prospectus supplement, the accompanying prospectus, any free writing prospectus prepared by or on behalf of us and the documents incorporated by reference before making an investment decision in the notes. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. The events discussed in the risk factors below may occur. If they do, our business, results of operations or financial condition could be materially adversely affected. In such an instance, the trading price of our securities, including the notes, could decline and you might lose all or part of your investment.

Risks Related to the Notes

We are a holding company and we depend upon cash distributions from our subsidiaries to service our debt.

As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our ability to meet our cash obligations, including our obligations under the notes, depends in part upon the ability of our subsidiaries to make cash distributions to us. Any of our subsidiaries' declaration of bankruptcy, liquidation or reorganization could materially adversely affect their ability to make cash distributions to us. The ability of our subsidiaries to make distributions to us is also, and will continue to be, restricted by, among other limitations, applicable provisions of the laws of national or state governments and contractual provisions. As of December 31, 2007, our operating subsidiaries had approximately \$3.3 billion of indebtedness, excluding inter-company loans. Any inability to pay amounts to us, whether by reason of financial difficulties or other restrictions, could have a material adverse effect on our ability to service and repay our debt, including the notes.

We have substantial indebtedness.

We have substantial indebtedness. At December 31, 2007, our ratio of total debt to total capitalization was approximately 59% and our total consolidated indebtedness as of December 31, 2007 was approximately \$8.3 billion. As of December 31, 2007, as adjusted to give effect to the issuance of the notes and the application of the net proceeds from the issuance, we would have had an aggregate of \$8.4 billion of consolidated indebtedness. Our annual debt service obligations vary due to differing maturities on all of our debt instruments; however, our total interest expense for the twelve months ended December 31, 2007 was approximately \$543 million. A 1% increase in interest rates for our variable rate instruments, including our interest rate swap agreements, would increase our forecasted interest expense for 2008 by approximately 6.0%, or \$31 million. Such an increase would cause our coverage ratio, which is one of our debt covenants and is calculated as consolidated net income plus interest and income taxes over interest expense, to decrease from 4.1 to 1 to 3.9 to 1 for the year ended December 31, 2007. Although such an interest rate increase would also affect our other debt covenants, we would still be in compliance with all of these covenants, including the coverage ratio covenant. However, any more substantial increases in interest rates for our variable rate instruments could affect our compliance with our debt covenants, liquidity and ability to service our debt, including making payments on the notes.

The degree to which we are leveraged could adversely affect our ability to obtain additional financing and could make us more vulnerable to industry downturns or competitive pressures, all of which could materially adversely affect our ability to meet our debt service obligations. Additionally, our indentures do not limit the amount of future indebtedness that we can create, incur, assume or guarantee. The incurrence of additional debt could exacerbate any risks associated with our liquidity.

Fraudulent transfer statutes may limit your rights under the guarantee of the notes.

Our obligations under the notes will be guaranteed by our wholly-owned subsidiary, WM Holdings. The guarantee may be subject to review under various laws for the protection of creditors. It is possible that the creditors of WM Holdings may challenge the guarantee as a fraudulent transfer under relevant federal and state laws. Under certain circumstances, including a finding that WM Holdings was insolvent at the time its

S-3

Table of Contents

guarantee was issued, a court could hold that the obligations of WM Holdings under the guarantee may be voided or are subordinate to other obligations of WM Holdings, or that the amount for which WM Holdings is liable under its guarantee of the notes may be limited. Different jurisdictions define insolvency differently, and we cannot assure you as to what standard a court would apply in order to determine whether WM Holdings was insolvent. If a court determined that WM Holdings was insolvent on the date the guarantee of the notes was issued, or that the guarantee constituted a fraudulent transfer on another ground, the claims of creditors of WM Holdings would effectively have priority with respect to WM Holdings' assets and earnings over the claims of the holders of the notes.

We may not have sufficient funds to purchase the notes upon a change of control triggering event and this covenant provides limited protection to investors.

Holders of the notes may require us to purchase their notes upon a change of control triggering event as defined under Description of Notes Change of Control Offer. We cannot assure you that we will have sufficient financial resources, or will be able to arrange sufficient financing, to pay the purchase price of the notes, particularly if a change of control event triggers a similar repurchase requirement for, or results in the acceleration of, our other then existing debt.

The change of control offer covenant is limited to the transactions specified in Description of Notes Change of Control Offer. We have no present intention to engage in a transaction involving a change of control triggering event, although it is possible that we could decide to do so in the future. We could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a change of control triggering event under the notes, but that could increase the amount of indebtedness outstanding at such time or otherwise materially adversely affect our capital structure or credit ratings.

You may not be able to sell the notes.

The notes will be a new issuance of securities. There is no existing active trading market for the notes, and a market may never develop. We do not currently intend to apply for listing of the notes on any securities exchange or quotation of the notes on any dealer quotation system. If a market does not develop, you may be unable to resell the notes for a long time, if at all. If the notes are traded after their initial issuance, they may trade at a discount from their initial offering price. Factors that could cause the notes to trade at a discount are:

- increases in then prevailing interest rates;
- a decline in our credit worthiness based on our business, operating results or financial condition;
- weakness in the markets for similar securities; and
- declining general economic conditions.

Risks Related to Our Business

The waste industry is highly competitive, and if we cannot successfully compete in the marketplace, our business, financial condition and operating results may be materially adversely affected.

We encounter intense competition from governmental, quasi-governmental and private sources in all aspects of our operations. In North America, the industry consists of large national waste management companies, and local and regional companies of varying sizes and financial resources. We compete with these companies as well as with counties and municipalities that maintain their own waste collection and disposal operations. These counties and municipalities may have financial competitive advantages because tax revenues are available to them and tax-exempt

financing is more readily available to them. Also, such governmental units may attempt to impose flow control or other restrictions that would give them a competitive advantage.

S-4

Table of Contents

In addition, competitors may reduce their prices to expand sales volume or to win competitively bid contracts. When this happens, we may rollback prices or offer lower pricing to attract or retain our customers, resulting in a negative impact to our revenue growth from yield on base business.

If we do not successfully manage our costs, our income from operations could be lower than expected.

In recent years, we have implemented several profit improvement initiatives aimed at lowering our costs and enhancing our revenues, and we continue to seek ways to reduce our selling, general and administrative and operating expenses. While generally we have been successful in managing our costs, including subcontractor costs and the effect of fuel price increases, our initiatives may not be sufficient. Even as our revenues increase, if we are unable to control variable costs or increases to our fixed costs in the future, we will be unable to maintain or expand our margins.

We cannot guarantee that we will be able to successfully implement our plans and strategies to improve margins and increase our income from operations.

We have announced several programs and strategies that we have implemented or planned to improve our margins and operating results. For example, except when prohibited by contract, we have implemented price increases and environmental fees, and we continue our fuel surcharge programs, all of which have increased our internal revenue growth. The loss of volumes as a result of price increases may negatively affect our cash flows or results of operations. Additionally, we continue to seek to divest under-performing and non-strategic assets if we cannot improve their profitability. We may not be able to successfully negotiate the divestiture of under-performing and non-strategic operations, which could result in asset impairments or the continued operation of low-margin businesses. If we are not able to fully implement our plans for any reason, many of which are out of our control, we may not see the expected improvements in our income from operations or our operating margins.

The seasonal nature of our business and changes in general and local economic conditions cause our quarterly results to fluctuate, and prior performance is not necessarily indicative of our future results.

Our operating revenues tend to be somewhat higher in 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 during 2004 and 2005, 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.

Our business is affected by changes in national and general economic factors that are also outside of our control, including interest rates and consumer confidence. We have \$2.9 billion of debt as of December 31, 2007 that is exposed to changes in market interest rates because of the combined impact of our variable rate tax-exempt bonds and our interest rate swap agreements. Therefore, any increase in interest rates can significantly increase our expenses. Additionally, although our services are of an essential nature, a weak economy generally results in decreases in volumes of waste generated, which decreases our revenues. We also face risks related to other adverse external factors, such as the ability of our insurers to meet their commitments in a timely manner and the effect that significant claims or litigation against insurance companies may have on such ability.

Any of the factors described above could materially adversely affect our results of operations and cash flows. Additionally, due to these and other factors, operating results in any interim period are not necessarily

S-5

Table of Contents

indicative of operating results for an entire year, and operating results for any historical period are not necessarily indicative of operating results for a future period.

We cannot predict with certainty the extent of future costs under environmental, health and safety laws, and cannot guarantee that they will not be material.

We could be liable if our operations cause environmental damage to our properties or to the property of other landowners, particularly as a result of the contamination of air, drinking water or soil. Under current law, we could even be held liable for damage caused by conditions that existed before we acquired the assets or operations involved. Also, we could be liable if we arrange for the transportation, disposal or treatment of hazardous substances that cause environmental contamination, or if a predecessor owner made such arrangements and under applicable law we are treated as a successor to the prior owner. Any substantial liability for environmental damage could have a material adverse effect on our financial condition, results of operations and cash flows.

In the ordinary course of our business, we have in the past, and may in the future, become involved in a variety of legal and administrative proceedings relating to land use and environmental laws and regulations. These include proceedings in which:

agencies of federal, state, local or foreign governments seek to impose liability on us under applicable statutes, sometimes involving civil or criminal penalties for violations, or to revoke or deny renewal of a permit we need; and

local communities and citizen groups, adjacent landowners or governmental agencies oppose the issuance of a permit or approval we need, allege violations of the permits under which we operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage.

We generally seek to work with the authorities or other persons involved in these proceedings to resolve any issues raised. If we are not successful, the adverse outcome of one or more of these proceedings could result in, among other things, material increases in our costs or liabilities as well as material charges for asset impairments.

The waste industry is subject to extensive government regulation, and existing or future regulations may restrict our operations, increase our costs of operations or require us to make additional capital expenditures.

Stringent government regulations at the federal, state, provincial and local level in the United States and Canada have a substantial impact on our business. A large number of complex laws, rules, orders and interpretations govern environmental protection, health, safety, land use, zoning, transportation and related matters. Among other things, they may restrict our operations and adversely affect our financial condition, results of operations and cash flows by imposing conditions such as:

limitations on siting and constructing new waste disposal, transfer or processing facilities or expanding existing facilities;

limitations, regulations or levies on collection and disposal prices, rates and volumes;

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

mandates regarding the disposal of solid waste

Regulations affecting the siting, design and closure of landfills could require us to undertake investigatory or remedial activities, curtail operations or close landfills temporarily or permanently. Future changes in these regulations may require us to modify, supplement or replace equipment or facilities. The costs of complying with these regulations could be substantial.

In order to develop, expand or operate a landfill or other waste management facility, we must have various facility permits and other governmental approvals, including those relating to zoning, environmental

S-6

Table of Contents

protection and land use. The permits and approvals are often difficult, time consuming and costly to obtain and could contain conditions that limit our operations.

Governmental authorities may enact climate change regulations that could increase our costs to operate.

Environmental advocacy groups and regulatory agencies in the United States have been focusing considerable attention on the emissions of greenhouse gases and their potential role in climate change. The adoption of laws and regulations to implement controls of greenhouse gases, including the imposition of fees or taxes, could adversely affect our collection and disposal operations. Additionally, certain of the states in which we operate are contemplating air pollution control regulations that are more stringent than existing and proposed federal regulations. Changing environmental regulations could require us to take any number of actions, including the purchase of emission allowances or installation of additional pollution control technology, and could make some operations less profitable, which could adversely affect our results of operations.

Significant shortages in fuel supply or increases in fuel prices will increase our operating expenses.

The price and supply of fuel are unpredictable, and can fluctuate significantly based on international, political and economic circumstances, as well as other factors outside our control, such as actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, regional production patterns, weather conditions and environmental concerns. In the past two years, the year-over-year changes in the average quarterly fuel prices have ranged from an increase of 28% to a decrease of 5%. We need fuel to run our collection and transfer trucks and equipment used in our landfill operations. Supply shortages could substantially increase our operating expenses. Additionally, as fuel prices increase, our direct operating expenses increase and many of our vendors raise their prices as a means to offset their own rising costs. We have in place a fuel surcharge program, designed to offset increased fuel expenses; however, we may not be able to pass through all of our increased costs and some customers contracts prohibit any pass through of the increased costs. We may initiate other programs or means to guard against the rising costs of fuel, although there can be no assurances that we will be able to do so or that such programs will be successful. Regardless of any offsetting surcharge programs, the increased operating costs will decrease our operating margins.

We have substantial financial assurance and insurance requirements, and increases in the costs of obtaining adequate financial assurance, or the inadequacy of our insurance coverages, could negatively impact our liquidity and increase our liabilities.

The amount of insurance we are required to maintain for environmental liability is governed by statutory requirements. We believe that the cost for such insurance is high relative to the coverage it would provide, and therefore, our coverages are generally maintained at the minimum statutorily required levels. We face the risk of incurring liabilities for environmental damage if our insurance coverage is ultimately inadequate to cover those damages. We also carry a broad range of insurance coverages that are customary for a company our size. We use these programs to mitigate risk of loss, thereby allowing us to manage our self-insurance exposure associated with claims. To the extent our insurers were unable to meet their obligations, or our own obligations for claims were more than we estimated, there could be a material adverse effect to our financial results.

In addition, to fulfill our financial assurance obligations with respect to environmental closure and post-closure liabilities, we generally obtain letters of credit or surety bonds, rely on insurance, including captive insurance, or fund trust and escrow accounts. We currently have in place all financial assurance instruments necessary for our operations. We do not anticipate any unmanageable difficulty in obtaining financial assurance instruments in the future. However, in the event we are unable to obtain sufficient surety bonding, letters of credit or third-party insurance coverage at reasonable cost, or one or more states cease to view captive insurance as adequate coverage, we would need to rely on

other forms of financial assurance. These types of financial assurance could be more expensive to obtain, which could negatively impact our liquidity and capital resources and our ability to meet our obligations as they become due.

S-7

Table of Contents

The possibility of development and expansion projects or pending acquisitions not being completed or certain other events could result in a material charge against our earnings.

In accordance with generally accepted accounting principles, we capitalize certain expenditures and advances relating to disposal site development, expansion projects, acquisitions, software development costs and other projects. If a facility or operation is permanently shut down or determined to be impaired, a pending acquisition is not completed, a development or expansion project is not completed or is determined to be impaired, we will charge against earnings any unamortized capitalized expenditures and advances relating to such facility, acquisition or project. We reduce the charge against earnings by any portion of the capitalized costs that we estimate will be recoverable, through sale or otherwise.

In future periods, we may be required to incur charges against earnings in accordance with this policy, or due to other events that cause impairments. Any such charges could have a material adverse effect on our results of operations.

Our revenues will fluctuate based on changes in commodity prices.

Our recycling operations process for sale certain recyclable materials, including fibers, aluminum and glass, all of which are subject to significant market price fluctuations. The majority of the recyclables that we process for sale are paper fibers, including old corrugated cardboard, known as OCC, and old newsprint, or ONP. In the past two years, the year-over-year changes in the quarterly average market prices for OCC ranged from a decrease of as much as 34% to an increase of as much as 83%. The same comparisons for ONP have ranged from a decrease of as much as 16% to an increase of as much as 47%. These fluctuations can affect future operating income and cash flows. Additionally, our recycling operations offer rebates to suppliers, based on the market prices of commodities we buy to process for resale. Therefore, even if we experience higher revenues based on increased market prices for commodities, the rebates we pay will also increase.

Additionally, there may be significant price fluctuations in the price of methane gas, electricity and other energy related products that are marketed and sold by our landfill gas recovery, waste-to-energy and independent power production plant operations. The marketing and sales of energy related products by our landfill gas and waste-to-energy operations are generally pursuant to long-term sales agreements. Therefore, market fluctuations do not have a significant effect on these operations in the short-term. However, as those agreements expire and are up for renewal, changes in market prices may affect our revenues. Additionally, revenues from our independent power production plants can be affected by price fluctuations. In the past two years, the year-over-year changes in the average quarterly electricity prices have increased or decreased by as much as 5%.

The development and acceptance of alternatives to landfill disposal and waste-to-energy facilities could reduce our ability to operate at full capacity.

Our customers are increasingly using alternatives to landfill and waste-to-energy disposal, such as recycling and composting. In addition, some state and local governments mandate recycling and waste reduction at the source and prohibit the disposal of certain types of waste, such as yard waste, at landfills or waste-to-energy facilities. Although such mandates are a useful tool to protect our environment, these developments reduce the volume of waste going to landfills and waste-to-energy facilities in certain areas, which may affect our ability to operate our landfills and waste-to-energy facilities at full capacity, as well as the prices that we can charge for landfill disposal and waste-to-energy services.

Efforts by labor unions to organize our employees could increase our operating expenses.

Labor unions constantly make attempts to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees have already chosen to be represented by unions, and we have negotiated collective bargaining agreements with some of the groups. Additional groups of employees may seek union representation in the future, and, if successful, the negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income. If we are unable to negotiate acceptable collective bargaining agreements, work stoppages, including strikes, could

S-8

Table of Contents

ensue. Depending on the type and duration of any labor disruptions, our operating expenses could increase significantly, which could adversely affect our financial condition, results of operations and cash flows.

Currently pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.

We are involved in civil litigation in the ordinary course of our business and from time-to-time are involved in governmental proceedings relating to the conduct of our business. The timing of the final resolutions to these types of matters is often uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our liquidity.

We are increasingly dependent on technology in our operations and if our technology fails, our business could be adversely affected.

We may experience problems with either the operation of our current information technology systems or the development and deployment of new information technology systems that could adversely affect, or even temporarily disrupt, all or a portion of our operations until resolved. We encountered problems with the new revenue management application that we had been piloting throughout 2007, resulting in the termination of the pilot while we determine how to proceed on an enterprise-wide basis. The termination of the pilot may lead to additional costs and expenses, which could be material. Additionally, the delay in implementing a new, enterprise-wide revenue management system may negatively affect our ability to improve our operating margins. Finally, there can be no assurances that our issues related to the licensed application will not ultimately result in an impairment charge, which could be material.

Additionally, any systems failures could impede our ability to timely collect and report financial results in accordance with applicable law and regulations.

We may experience adverse impacts on our reported results of operations as a result of adopting new accounting standards or interpretations.

Our implementation of and compliance with changes in accounting rules, including new accounting rules and interpretations, could adversely affect our reported operating results or cause unanticipated fluctuations in our reported operating results in future periods.

Unforeseen circumstances could result in a need for additional capital.

We currently expect to meet our anticipated cash needs for capital expenditures, acquisitions and other cash expenditures with our cash flows from operations and, to the extent necessary, additional financings. However, materially adverse events could reduce our cash flows from operations. Our Board of Directors has approved a capital allocation program that provides for up to \$1.4 billion in aggregate dividend payments and share repurchases during 2008 and recently announced that it expects future quarterly dividend payments, when declared by the Board of Directors, to be \$0.27 per share. If our cash flows from operations were negatively affected, we could be forced to reduce capital expenditures, acquisition activity, share repurchase activity or dividend declarations. In these circumstances we instead may elect to incur more indebtedness. If we made such an election, there can be no assurances that we would be able to obtain additional financings on acceptable terms. In these circumstances, we would likely use our revolving credit facility to meet our cash needs.

In the event of a default under our credit facility, we could be required to immediately repay all outstanding borrowings and make cash deposits as collateral for all obligations the facility supports, which we may not be able to do. Additionally, any such default could cause a default under many of our other credit agreements and debt

instruments. Any such default would have a material adverse effect on our ability to operate.

S-9

Table of Contents

USE OF PROCEEDS

We expect the net proceeds from the offering of the notes to be approximately \$ million, after deducting discounts to the underwriters and estimated expenses of the offering that we will pay. We intend to use the net proceeds to retire approximately \$244 million principal amount of 8.75% Senior Notes due 2018 that become callable in May 2008 at a redemption price equal to par; repay approximately \$250 million of currently outstanding borrowings under our revolving credit facility that were incurred in late 2007 for working capital and general corporate purposes; and use the remainder for general corporate purposes. Borrowings under our revolving credit facility have various maturities through March 25, 2008, and currently bear interest at a weighted average rate of 4.7%. Pending application of the offering proceeds as described, we will temporarily invest the proceeds in short-term investments.

Affiliates of some of the underwriters are lenders under our revolving credit facility and will receive a share of the proceeds of this offering as a result of our repayment of outstanding indebtedness under our revolving credit facility. See Underwriting.

S-10

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for each of the periods indicated:

	Years Ended December 31,				
	2007	2006	2005	2004	2003
Ratio of earnings to fixed charges	4.0x	3.5x	3.2x	3.5x	3.1x

We have computed the ratio of earnings to fixed charges by dividing earnings available for fixed charges by fixed charges. For this purpose, earnings available for fixed charges consist of earnings before taxes, cumulative effects of changes in accounting principles, losses in equity investments, minority interest expense and fixed charges. Fixed charges consist of total interest, whether expensed or capitalized, and the portion of our operating lease rental expense that represents an interest factor.

S-11

Table of Contents**CAPITALIZATION**

Assuming an offering of \$600 million of notes at par, the following table sets forth our consolidated capitalization as of December 31, 2007 and as adjusted to give effect to the offering of the notes and the application of the net proceeds as described under Use of Proceeds. It is important that you read the following information along with the consolidated financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information.

	December 31, 2007	
	Actual	As Adjusted
	(dollars in millions)	
Debt:		
Revolving credit facility (weighted average interest rate of 5.4% at December 31, 2007)(a)	\$ 300	\$ 50
Canadian credit facility (weighted average interest rate of 5.3% at December 31, 2007)(b)	336	336
Senior notes and debentures		
Maturing through 2032, interest rates ranging from 5.0% to 8.75% (weighted average interest rate of 7.0% at December 31, 2007)(c)	4,584	4,340
% Senior Notes due 2018 offered hereby		600
Tax-exempt bonds maturing through 2039, fixed and variable interest rates ranging from 2.9% to 7.4% (weighted average interest rate of 4.4% at December 31, 2007)(d)	2,533	2,533
Tax-exempt project bonds, principal payable in periodic installments, maturing through 2027, fixed and variable interest rates ranging from 3.5% to 9.3% (weighted average interest rate of 5.3% at December 31, 2007)(e)	290	290
Capital leases and other, maturing through 2036, interest rates up to 12%	294	294
Total Debt	\$ 8,337	\$ 8,443
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	4,542	4,542
Retained earnings	5,080	5,080
Accumulated other comprehensive income	229	229
Treasury stock at cost, 130,163,692 shares	(4,065)	(4,065)
Total stockholders equity	5,792	5,792
Total debt and stockholders equity	\$ 14,129	\$ 14,235

(a) \$2.4 billion revolving credit facility that matures August 17, 2011. The As Adjusted amount is pro forma as of December 31, 2007. In the first quarter of 2008, we repaid this \$50 million of borrowings outstanding as of

December 31, 2007.

- (b) Waste Management of Canada Corporation, our wholly-owned subsidiary, is party to a Cdn \$340 million credit facility with a maturity of November 2012 that is guaranteed by us.
- (c) The carrying value of the \$244 million of 8.75% Senior Notes due 2018 that we expect to call in May 2008 was \$255 million as of December 31, 2007. The difference between the carrying value and par value of this debt obligation is related to hedge accounting for interest rate swaps. The difference is currently recognized ratably as a reduction in interest expense through the scheduled maturity of this debt in May 2018. Upon redemption of the 8.75% Senior Notes due 2018 in May 2008, the remaining unamortized balance, which is currently expected to be approximately \$10 million, will be recognized as a reduction to interest expense.
- (d) We issue both fixed and floating rate tax-exempt bonds as a means of low-cost financing for capital expenditures. The proceeds from the issuances may only be used for the specific purpose for which the funds were raised, which is generally to finance expenditures for l