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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

#

OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

#

OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-12154

Waste Management, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

73-1309529

*(I.R.S. Employer
Identification No.)*

1001 Fannin Street, Suite 4000

Houston, Texas

(Address of principal executive offices)

77002

(Zip code)

Registrant's telephone number, including area code:

(713) 512-6200

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

<u>Title of Each Class</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, \$.01 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2012 was approximately \$15.4 billion. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange ("NYSE"). (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

The number of shares of Common Stock, \$0.01 par value, of the registrant outstanding at February 7, 2013 was 465,200,137 (excluding treasury shares of 165,082,324).

DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Incorporated as to</u>
Proxy Statement for the 2013 Annual Meeting of Stockholders	Part III

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The financial statements presented in this report represent the consolidation of Waste Management, Inc., a Delaware corporation; Waste Management's wholly-owned and majority-owned subsidiaries; and certain variable interest entities for which Waste Management or its subsidiaries are the primary beneficiary as described in Note 20 to the Consolidated Financial Statements. Waste Management is a holding company and all operations are conducted by its 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 "WM," we are referring only to Waste Management, Inc., the parent holding company.

WM 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 WM 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 WM, 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 WM, WM Holdings and their subsidiaries, see Note 23 to the Consolidated Financial Statements.

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 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 "WM."

We are the leading provider of comprehensive waste management services in North America, including collection, transfer, recycling and resource recovery, and disposal services for residential, commercial, industrial and municipal customers (our "Solid Waste business" or "Solid Waste"). Our Solid Waste business is operated and managed locally by our subsidiaries throughout North America that focus on distinct geographical areas. We are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. During 2012, our largest customer represented approximately 1% of annual revenues. We employed approximately 43,500 people as of December 31, 2012.

We own or operate 269 landfill sites, which is the largest network of landfills in our industry. In order to make disposal more practical for larger urban markets, where the distance to landfills or waste-to-energy facilities is typically farther, we manage 297 transfer stations that consolidate, compact and transport waste efficiently and economically. We also use waste to create energy. One method involves recovering the gas produced naturally as waste decomposes in landfills and using the gas in generators to make electricity. Our subsidiary, Wheelabrator Technologies, Inc., also uses waste to create energy by operating 22 highly efficient waste combustion plants that produce clean, renewable energy. We are a leading recycler in North America, handling materials that include paper, cardboard, glass, plastic, metal and electronics. We provide cost-efficient, environmentally sound recycling programs for municipalities, businesses and households across the U.S. and Canada. In addition to traditional waste operations, we are also expanding to increase the service offerings we provide for our customers.

Our Company's goals are targeted at serving our customers, our employees, the environment, the communities in which we work and our stockholders, and achievement of our goals is intended to meet the needs of a changing industry. The waste industry continues to undergo significant changes. Our Company and others have recognized the value of the traditional waste stream as a potential resource. Landfill volumes have declined in recent years, as customers are increasingly using alternatives to traditional disposal, such as recycling and composting, while also working to reduce the waste they generate. Accomplishment of our goals will grow our Company and allow us to meet the needs of our customers and communities as they, too, Think Green®. We believe that helping our customers achieve their environmental goals will enable us to achieve profitable growth.

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Our Company is dedicated to three transformational goals that we believe will drive continued growth and leadership in a dynamic industry: know more about our customers and how to service them than anyone else; use conversion and processing technology to extract more value from the materials we manage; and continuously improve our operational efficiency. We intend to pursue achievement of our long-term goals in the short-term through efforts to:

- Grow our markets by implementing customer-focused growth, through customer segmentation and through strategic acquisitions, while maintaining our pricing discipline and increasing the amount of recyclable materials we manage each year;

- Grow our customer loyalty;

- Grow into new markets by investing in greener technologies; and

- Pursue initiatives that improve our operations and cost structure.

These efforts will be supported by ongoing improvements in information technologies. We believe that execution of our strategy will provide long-term value to our stockholders. In addition, we intend to continue to return value to our stockholders through dividend payments, and our Board of Directors has given management authority to make common stock repurchases. In December 2012, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.355 to \$0.365 per share for dividends declared in 2013, which is a 2.8% increase from the quarterly dividends we declared in 2012. This will result in an increase in the amount of free cash flow that we expect to pay out as dividends for the tenth consecutive year and is an indication of our ability to generate strong and consistent cash flows. All quarterly dividends will be declared at the discretion of our Board of Directors.

Operations

General

Through the third quarter of 2012, the operations of our local subsidiaries were primarily organized under our Eastern, Midwest, Southern, Western and Wheelabrator operating Groups. In July 2012, we announced a reorganization of our operations, designed to streamline management and staff support and reduce our cost structure, while not disrupting our front-line operations. Principal organizational changes included removing the management layer of our four geographic Groups, each of which previously constituted a reportable segment, and consolidating and reducing the number of our geographic Areas from 22 to 17.

Following our reorganization, our senior management now evaluates, oversees and manages the financial performance of our local Solid Waste business subsidiaries through these 17 Areas. See Notes 12 and 21 to the Consolidated Financials Statements for additional information related to this reorganization and our reportable segments, respectively. Our Wheelabrator business manages waste-to-energy facilities and independent power production plants. We also provide additional services that are not managed through our Solid Waste or Wheelabrator businesses, as described below. These operations are presented in this report as "Other."

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The table below shows the total revenues (in millions) contributed annually by our Solid Waste and Wheelabrator businesses, in the three-year period ended December 31, 2012. More information about our results of operations is included in Note 21 to the Consolidated Financial Statements and in *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in this report.

	Years Ended December 31,		
	2012	2011	2010
Solid Waste	\$13,056	\$12,998	\$12,613
Wheelabrator	846	877	889
Other	2,106	1,534	975
Intercompany	(2,359)	(2,031)	(1,962)
Total	<u>\$13,649</u>	<u>\$13,378</u>	<u>\$12,515</u>

The services we provide include collection, landfill (solid and hazardous waste landfills), transfer, operation of waste-to-energy facilities and independent power production plants, recycling and resource recovery and other services, as described below. The following table shows revenues (in millions) contributed by these services for each of the three years indicated:

	Years Ended December 31,		
	2012	2011	2010
Collection	\$ 8,405	\$ 8,406	\$ 8,247
Landfill	2,685	2,611	2,540
Transfer	1,296	1,280	1,318
Wheelabrator	846	877	889
Recycling	1,360	1,580	1,169
Other	1,416	655	314
Intercompany	(2,359)	(2,031)	(1,962)
Total	<u>\$13,649</u>	<u>\$13,378</u>	<u>\$12,515</u>

Collection. Our commitment to customers begins with a vast waste collection network. Collection involves picking up and transporting waste and recyclable materials from where it was generated to a transfer station, material recovery facility ("MRF") or disposal site. We generally provide collection services under one of two types of arrangements:

• For commercial and industrial collection services, typically we have a three-year service agreement. The fees under the agreements are influenced by factors such as collection frequency, type of collection equipment we furnish, type and volume or weight of the waste collected, distance to the disposal facility, labor costs, cost of disposal and general market factors. As part of the service, we provide steel containers to most customers to store their solid waste between pick-up dates. Containers vary in size and type according to the needs of our customers and the restrictions of their communities. Many are designed to be lifted mechanically and either emptied into a truck's compaction hopper or directly into a disposal site. By using these containers, we can service most of our commercial and industrial customers with trucks operated by only one employee.

• For most residential collection services, we have a contract with, or a franchise granted by, a municipality, homeowners' association or some other regional authority that gives us the exclusive right to service all or a portion of the homes in an area. These contracts or franchises are typically for periods of three to six years. We also provide services under individual monthly subscriptions directly to households. The fees for residential collection are either paid by the municipality or authority from their tax revenues or service charges, or are paid directly by the residents receiving the service.

Landfill. Landfills are the main depositories for solid waste in North America. At December 31, 2012, we owned or operated 264 solid waste landfills, which represents the largest network of landfills in North America. Solid waste landfills are constructed and operated on land with engineering safeguards that limit the possibility of

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water and air pollution, and are operated under procedures prescribed by regulation. A landfill must meet federal, state or provincial, and local regulations during its design, construction, operation and closure. The operation and closure activities of a solid waste landfill include excavation, construction of liners, continuous spreading and compacting of waste, covering of waste with earth or other acceptable material and constructing final capping of the landfill. These operations are carefully planned to maintain environmentally safe conditions and to maximize the use of the airspace.

All solid waste management companies must have access to a disposal facility, such as a solid waste landfill. The significant capital requirements of developing and operating a landfill serve as a barrier to landfill ownership and, as a result, third-party haulers often dispose of waste at our landfills. It is usually preferable for our collection operations to use disposal facilities that we own or operate, a practice we refer to as internalization, rather than using third-party disposal facilities. Internalization generally allows us to realize higher consolidated margins and stronger operating cash flows. The fees charged at disposal facilities, which are referred to as tipping fees, are based on several factors, including competition and the type and weight or volume of solid waste deposited.

We also operate five secure hazardous waste landfills in the United States. Under environmental laws, the federal government (or states with delegated authority) must issue permits for all hazardous waste landfills. All of our hazardous waste landfills have obtained the required permits, although some can accept only certain types of hazardous waste. These landfills must also comply with specialized operating standards. Only hazardous waste in a stable, solid form, which meets regulatory requirements, can be deposited in our secure disposal cells. In some cases, hazardous waste can be treated before disposal. Generally, these treatments involve the separation or removal of solid materials from liquids and chemical treatments that transform waste into inert materials that are no longer hazardous. Our hazardous waste landfills are sited, constructed and operated in a manner designed to provide long-term containment of waste. We also operate a hazardous waste facility at which we isolate treated hazardous waste in liquid form by injection into deep wells that have been drilled in certain acceptable geologic formations far below the base of fresh water to a point that is safely separated by other substantial geological confining layers.

Transfer. At December 31, 2012, we owned or operated 297 transfer stations in North America. We deposit waste at these stations, as do other waste haulers. The solid waste is then consolidated and compacted to reduce the volume and increase the density of the waste and transported by transfer trucks or by rail to disposal sites. At December 31, 2012, our medical waste services business (discussed below) also had 13 smaller transfer operations (separate from its 10 processing facilities, but some of which are located at other existing Company facilities) that are permitted to consolidate regulated medical waste collections for disposal.

Access to transfer stations is critical to haulers who collect waste in areas not in close proximity to disposal facilities. Fees charged to third parties at transfer stations are usually based on the type and volume or weight of the waste deposited at the transfer station, the distance to the disposal site and general market factors.

The utilization of our transfer stations by our own collection operations improves internalization by allowing us to retain fees that we would otherwise pay to third parties for the disposal of the waste we collect. It enables us to manage costs associated with waste disposal because (i) transfer trucks, railcars or rail containers have larger capacities than collection trucks, allowing us to deliver more waste to the disposal facility in each trip; (ii) waste is accumulated and compacted at transfer stations that are strategically located to increase the efficiency of our network of operations; and (iii) we can retain the volume by managing the transfer of the waste to one of our own disposal sites.

The transfer stations that we operate but do not own generally are operated through lease agreements under which we lease property from third parties. There are some instances where transfer stations are operated under contract, generally for municipalities. In most cases we own the permits and will be responsible for any regulatory requirements relating to the operation and closure of the transfer station.

Wheelabrator. As of December 31, 2012, we owned or operated 17 waste-to-energy facilities and five independent power production plants, or IPPs, which are located in the Northeast, in the Mid-Atlantic, and in Florida, California and Washington.

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At our waste-to-energy facilities, solid waste is burned at high temperatures in specially designed boilers to produce heat that is converted into high-pressure steam. As of December 31, 2012, our waste-to-energy facilities were capable of processing up to 22,300 tons of solid waste each day. In 2012, our waste-to-energy facilities received and processed 8 million tons of solid waste, or approximately 21,700 tons per day.

Our IPPs convert various waste and conventional fuels into steam. The plants burn wood waste, anthracite coal waste (culm), tires, landfill gas and natural gas. These facilities are integral to the solid waste industry, disposing of urban wood, waste tires, railroad ties and utility poles. Our anthracite culm facility in Pennsylvania processes the waste materials left over from coal mining operations from over half a century ago. Ash remaining after burning the culm is used to reclaim the land damaged by decades of coal mining.

We generate steam at our waste-to-energy and IPPs facilities for the production of electricity. We sell the electricity produced at our facilities into wholesale markets, which include investor-owned utilities, power marketers and regional power pools. Some of our facilities also sell steam directly to end users. Fees charged for electricity and steam at our waste-to-energy facilities and IPPs have generally been subject to the terms and conditions of long-term contracts that include interim adjustments to the prices charged for changes in market conditions such as inflation, electricity prices and other general market factors. During 2012 and 2010, several of our long-term energy contracts and short-term pricing arrangements expired, significantly increasing our waste-to-energy revenues' exposure to volatility attributable to changes in market prices for electricity, which generally correlate with fluctuations in natural gas prices in the markets in which we operate. Our market-price volatility will continue to increase as additional long-term contracts expire. We use "receive fixed, pay variable" electricity commodity swaps to mitigate the variability in our revenues and cash flows caused by fluctuations in the market prices for electricity. Refer to the *Quantitative and Qualitative Disclosures About Market Risk* section of this report for additional information about the Company's current considerations related to the management of this market exposure.

We continue to look at opportunities to expand our waste-to-energy business. In the first quarter of 2012, we formed a U.K. joint venture, together with a commercial waste management company, to develop, construct, operate and maintain a waste-to-energy and recycling facility in England. In connection with this investment, we are committed to provide funding up to £57 million, or \$93 million based on the exchange rate as of December 31, 2012, to be used for the development and construction of the facility. Additional information related to this investment is included in Note 20 to the Consolidated Financial Statements. Additionally, in the second quarter of 2012, we invested in another U.K. joint venture, together with an electric utility company, to develop a waste-to-energy and recycling facility in England. In connection with this investment, we are committed to provide funding up to £156 million, or \$253 million based upon the exchange rates at December 31, 2012, to be used for the development and construction of the facility.

In 2010, we made two investments which increased the total assets of our Wheelabrator business by \$318 million. In the first quarter of 2010, we paid \$142 million to acquire a 40% equity investment in Shanghai Environment Group ("SEG"), a subsidiary of Shanghai Chengtong Holding Co., Ltd. As a joint venture partner in SEG, we participate in the operation and management of waste-to-energy and other waste services in the Chinese market. SEG is also focused on building new waste-to-energy facilities in China. As of December 31, 2012, SEG owned and operated three waste-to-energy facilities and five transfer stations. An additional five waste-to-energy facilities are under construction. Our share of SEG's earnings are included in "Equity in net losses of unconsolidated entities" in our Consolidated Statement of Operations. In the second quarter of 2010, we paid \$150 million for the acquisition of a waste-to-energy facility in Portsmouth, Virginia. Wheelabrator is actively pursuing additional development projects with industry partners and other opportunities to provide waste-to-energy services in Europe and Asia.

Recycling. Our recycling operations provide communities and businesses with an alternative to traditional landfill disposal and support our strategic goals to extract more value from the materials we manage. In 2001, we became the first major solid waste company to focus on residential single-stream recycling, which allows customers to mix recyclable paper, plastic and glass in one bin. Residential single-stream programs have greatly increased the recycling rates. Single-stream recycling is possible through the use of various mechanized screens and optical sorting technologies. We have also been advancing the single-stream recycling programs for

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commercial applications. Recycling involves the separation of reusable materials from the waste stream for processing and resale or other disposition. Our recycling operations include the following:

Materials processing — Through our collection operations, we collect recyclable materials from residential, commercial and industrial customers and direct these materials to one of our MRFs for processing. We operate 114 MRFs where paper, cardboard, metals, plastics, glass, construction and demolition materials and other recyclable commodities are recovered for resale. We also operate 12 secondary processing facilities where recyclable materials can be further processed into raw products used in the manufacturing of consumer goods. Materials processing services include data destruction and automated color sorting.

Plastics materials recycling — Using state-of-the-art sorting and processing technology, we process, inventory and sell plastic commodities making the recycling of such items more cost effective and convenient.

Commodities recycling — We market and resell recyclable commodities to customers world-wide. We manage the marketing of recyclable commodities that are processed in our facilities by maintaining comprehensive service centers that continuously analyze market prices, logistics, market demands and product quality.

Fees for recycling services are influenced by the type of recyclable commodities being processed, the volume or weight of the recyclable material, degree of processing required, the market value of the recovered material and other market factors.

Some of the recyclable materials processed in our MRFs are purchased from various sources, including third parties and our own operations. The cost per ton of material purchased is based on market prices and the cost to transport the processed goods to our customers to whom we sell such materials. The price we pay for recyclable materials is often referred to as a “rebate.” Rebates generally are based upon the price we receive for sales of processed goods and on market conditions, but in some cases are based on fixed contractual rates or on defined minimum per-ton rates. As a result, changes in commodity prices for recycled fiber can significantly affect our revenues, the rebates we pay to our suppliers and our operating income and margins.

Other. Other services we provide include the following:

We provide recycling brokerage services, which involves managing the marketing of recyclable materials for third parties. The experience of our recycling operations in managing recyclable commodities for our own operations gives us the expertise needed to effectively manage volumes for third parties. Utilizing the resources and knowledge of our recycling operations’ service centers, we can assist customers in marketing and selling their recyclable commodities with little to no capital requirements. We also provide electronics recycling. We recycle discarded computers, communications equipment, and other electronic equipment. Services include the collection, sorting and disassembling of electronics in an effort to reuse or recycle all collected materials. In recent years, we have teamed with major electronics manufacturers to offer comprehensive “take-back” programs of their products to assist the general public in disposing of their old electronics in a convenient and environmentally safe manner.

Our WM Sustainability Services organization offers our customers in all Areas a variety of services in collaboration with our Areas and strategic accounts program, including (i) in-plant services, where our employees work full-time inside our customers’ facilities to provide full-service waste management solutions and consulting services; (ii) specialized disposal services for oilfield drilling and operations; and (iii) services associated with the disposal of fly ash, residue generated from the combustion of coal and other fuel stocks. Our vertically integrated waste management operations enable us to provide customers with full management of their waste. The breadth of our service offerings and the familiarity we have with waste management practices gives us the unique ability to assist customers in minimizing the amount of waste they generate, identifying recycling opportunities and determining the most efficient means available for waste collection and disposal.

We develop, operate and promote projects for the beneficial use of landfill gas through our WM Renewable Energy Program. Landfill gas is produced naturally as waste decomposes in a landfill. The methane component of the landfill gas is a readily available, renewable energy source that can be gathered and used beneficially as an

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alternative to fossil fuel. The EPA endorses landfill gas as a renewable energy resource, in the same category as wind, solar and geothermal resources. At December 31, 2012, landfill gas beneficial use projects were producing commercial quantities of methane gas at 137 of our solid waste landfills. At 109 of these landfills, the processed gas is used to fuel electricity generators. The electricity is then sold to public utilities, municipal utilities or power cooperatives. At 17 landfills, the gas is used at the landfill or delivered by pipeline to industrial customers as a direct substitute for fossil fuels in industrial processes. At 10 landfills, the landfill gas is processed to pipeline-quality natural gas and then sold to natural gas suppliers. At one landfill, the gas is processed into liquefied natural gas and used as vehicle fuel.

Although many waste management services such as collection and disposal are local services, our strategic accounts program works with customers whose locations span the United States. Our strategic accounts program provides centralized customer service, billing and management of accounts to streamline the administration of customers' multiple and nationwide locations' waste management needs. In 2011, we acquired Oakleaf Global Holdings and its primary operations ("Oakleaf"), which provides outsourced waste and recycling services through a nationwide network of third-party haulers. Oakleaf has increased our strategic accounts customer base and enhanced our ability to provide comprehensive environmental solutions.

We also offer integrated medical waste services for healthcare facilities, pharmacies and individuals. We provide full-service solutions to facilities to assist them in best practices, identifying waste streams and proper disposal.

We continue to invest in businesses and technologies that are designed to offer services and solutions ancillary or supplementary to our current operations. These investments include joint ventures, acquisitions and partial ownership interests. The solutions and services include the collection of project waste, including construction debris and household or yard waste, through our Bagster® program; the development, operation and marketing of plasma gasification facilities; operation of a landfill gas-to-liquid natural gas plant; solar powered trash compactors; and organic waste-to-fuel conversion technology. Part of our expansion of services includes offering portable self-storage services; fluorescent bulb and universal waste mail-back through our LampTracker® program; and a sharps mail return program through which individuals can safely dispose of their used syringes and lancets using our MedWaste Tracker® system. In addition, we have made investments that involve the acquisition and development of interests in oil and gas producing properties. Finally, we rent portable restroom facilities to municipalities and commercial customers under the name Port-o-Let®, we service such facilities and we provide street and parking lot sweeping services.

Competition

We encounter intense competition from governmental, quasi-governmental and private sources in all aspects of our operations. In North America, the industry consists primarily of two national waste management companies, regional companies and local companies of varying sizes and financial resources, including companies that specialize in certain discrete areas of waste management, operators of alternative disposal facilities and companies that seek to use parts of the waste stream as feedstock for renewable energy and other by-products. We compete with these companies as well as with counties and municipalities that maintain their own waste collection and disposal operations.

Operating costs, disposal costs and collection fees vary widely throughout the areas in which we operate. The prices that we charge are determined locally, and typically vary by volume and weight, type of waste collected, treatment requirements, risk of handling or disposal, frequency of collections, distance to final disposal sites, the availability of airspace within the geographic region, labor costs and amount and type of equipment furnished to the customer. We face intense competition in our Solid Waste business based on pricing and quality of service. We have also begun competing for business based on service offerings. As companies, individuals and communities look for ways to be more sustainable, we are investing in greener technologies and promoting our comprehensive services that go beyond our core business of collecting and disposing of waste.

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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 that most often impact our operations in the Southern and Eastern U.S., can actually increase our revenues in the areas affected. While weather-related and other “one-time” occurrences can boost revenues through additional work for a limited time span, as a result of significant start-up costs and other factors, such revenue sometimes generates earnings at comparatively lower margins. Certain weather conditions, including severe winter storms, 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.

Employees

At December 31, 2012, we had approximately 43,500 full-time employees, of which approximately 7,500 were employed in administrative and sales positions and the balance in operations. Approximately 8,900 of our employees are covered by collective bargaining agreements.

Financial Assurance and Insurance Obligations*Financial Assurance*

Municipal and governmental waste service contracts generally require contracting parties to demonstrate financial responsibility for their obligations under the contract. Financial assurance is also a requirement for (i) obtaining or retaining disposal site or transfer station operating permits; (ii) supporting variable-rate tax-exempt debt and (iii) estimated final capping, closure, post-closure and environmental remedial obligations at many of our landfills.

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We establish financial assurance using surety bonds, letters of credit, insurance policies, trust and escrow agreements and financial guarantees. The type of assurance used is based on several factors, most importantly: the jurisdiction, contractual requirements, market factors and availability of credit capacity. The following table summarizes the various forms and dollar amounts (in millions) of financial assurance that we had outstanding as of December 31, 2012:

Surety bonds:		
Issued by consolidated subsidiary(a)	\$ 206	
Issued by affiliated entity(b)	1,101	
Issued by third-party surety companies	<u>1,970</u>	
Total surety bonds		\$3,277
Letters of credit:		
Revolving credit facility(c)	933	
Letter of credit facilities(d)	492	
Other lines of credit	<u>257</u>	
Total letters of credit		1,682
Insurance policies:		
Issued by consolidated subsidiary(a)	1,101	
Issued by affiliated entity(b)	29	
Issued by third-party insurance companies	<u>214</u>	
Total insurance policies		1,344
Funded trust and escrow accounts(e)		137
Financial guarantees(f)		<u>115</u>
Total financial assurance(g)		<u>\$6,555</u>

- (a) We use surety bonds and insurance policies issued by a wholly-owned insurance subsidiary, National Guaranty Insurance Company of Vermont, the sole business of which is to issue financial assurance to WM and its subsidiaries. National Guaranty Insurance Company is authorized to write up to approximately \$1.5 billion in surety bonds or insurance policies for our final capping, closure and post-closure requirements, waste collection contracts and other business-related obligations.
- (b) We hold a noncontrolling interest in an entity that we use to obtain financial assurance. Our contractual agreement with this entity does not specifically limit the amounts of surety bonds or insurance that we may obtain, making our financial assurance under this agreement limited only by the guidelines and restrictions of surety and insurance regulations.
- (c) WM has a \$2.0 billion revolving credit facility with a term ending May 2016. At December 31, 2012, we had \$400 million of outstanding borrowings and \$933 million of letters of credit issued and supported by the facility. The unused and available credit capacity of the facility was \$667 million as of December 31, 2012.
- (d) We have an aggregate committed capacity of \$505 million under letter of credit facilities with terms ending from June 2013 to June 2015. As of December 31, 2012, no borrowings were outstanding under these letter of credit facilities and we had \$13 million of unused or available credit capacity.
- (e) Our funded trust and escrow accounts generally have been established to support landfill final capping, closure, post-closure and environmental remediation obligations and our performance under various operating contracts. Balances maintained in these trust funds and escrow accounts will fluctuate based on (i) changes in statutory requirements; (ii) future deposits made to comply with contractual arrangements; (iii) the use of funds for qualifying activities; (iv) acquisitions or divestitures of landfills; and (v) changes in the fair value of the financial instruments held in the trust fund or escrow accounts. The assets held in our funded trust and escrow accounts may be drawn and used to meet the obligations for which the trusts and escrows were established.

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- (f) Financial guarantees are provided primarily to support our performance of landfill final capping, closure and post-closure activities. The amount of financial assurance provided by such guarantees is dependent upon measures of our tangible net worth and other criteria.
- (g) The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under U.S. Generally Accepted Accounting Principles ("GAAP").

The assets held in our funded trust and escrow accounts may be drawn and used to meet the closure, post-closure and remedial obligations for which the trusts and escrows were established. Other than these permitted draws on funds, virtually no claims have been made against our financial assurance instruments in the past, and considering our current financial position, management does not expect there to be claims against these instruments that will have a material adverse effect on our Consolidated Financial Statements. In an ongoing effort to mitigate the risks of future cost increases and reductions in available capacity, we are continually evaluating various options to access cost-effective sources of financial assurance.

Insurance

We carry a broad range of insurance coverages, including general liability, automobile liability, real and personal property, workers' compensation, directors' and officers' liability, pollution legal liability, business interruption and other coverages 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. As of December 31, 2012, our commercial General Liability Insurance Policy carried self-insurance exposures of up to \$2.5 million per incident and our workers' compensation insurance program carried self-insurance exposures of up to \$5 million per incident. As of December 31, 2012, our auto liability insurance program included a per-incident base deductible of \$5 million, subject to additional deductibles of \$4.8 million in the \$5 million to \$10 million layer. 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. Our estimated insurance liabilities as of December 31, 2012 are summarized in Note 11 to the Consolidated Financial Statements.

The Directors' and Officers' Liability Insurance policy we choose to maintain covers only individual executive liability, often referred to as "Broad Form Side A," and does not provide corporate reimbursement coverage, often referred to as "Side B." The Side A policy covers directors and officers directly for loss, including defense costs, when corporate indemnification is unavailable. Side A-only coverage cannot be exhausted by payments to the Company, as the Company is not insured for any money it advances for defense costs or pays as indemnity to the insured directors and officers.

Regulation

Our business is subject to extensive and evolving federal, state or provincial and local environmental, health, safety and transportation laws and regulations. These laws and regulations are administered by the U.S. EPA, Environment Canada, and various other federal, state and local environmental, zoning, transportation, land use, health and safety agencies in the United States and Canada. Many of these agencies regularly examine our operations to monitor compliance with these laws and regulations and have the power to enforce compliance, obtain injunctions or impose civil or criminal penalties in case of violations. In recent years, we have perceived an increase in both the amount of government regulation and the number of enforcement actions being brought by regulatory entities against operations in the waste services industry. We expect this heightened governmental focus on regulation and enforcement to continue.

Because the major component of our business is the collection and disposal of solid waste in an environmentally sound manner, a significant amount of our capital expenditures are related, either directly or indirectly, to environmental protection measures, including compliance with federal, state or provincial and local provisions that regulate the placement of materials into the environment. There are costs associated with siting, design, operations, monitoring, site maintenance, corrective actions, financial assurance, and facility closure and post-closure obligations. In connection with our acquisition, development or expansion of a disposal facility or transfer station, we must often spend considerable time, effort and money to obtain or maintain required permits and approvals. There cannot be any assurances that we will be able to obtain or maintain required governmental approvals. Once obtained, operating permits are subject to renewal, modification, suspension or revocation by the

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issuing agency. Compliance with these and any future regulatory requirements could require us to make significant capital and operating expenditures. However, most of these expenditures are made in the normal course of business and do not place us at any competitive disadvantage.

The primary United States federal statutes affecting our business are summarized below:

• The Resource Conservation and Recovery Act of 1976, or RCRA, as amended, regulates handling, transporting and disposing of hazardous and non-hazardous waste and delegates authority to states to develop programs to ensure the safe disposal of solid waste. In 1991, the EPA issued its final regulations under Subtitle D of RCRA, which set forth minimum federal performance and design criteria for solid waste landfills. These regulations are typically implemented by the states, although states can impose requirements that are more stringent than the Subtitle D standards. We incur costs in complying with these standards in the ordinary course of our operations.

• The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, which is also known as Superfund, provides for federal authority to respond directly to releases or threatened releases of hazardous substances into the environment that have created actual or potential environmental hazards. CERCLA's primary means for addressing such releases is to impose strict liability for cleanup of disposal sites upon current and former site owners and operators, generators of the hazardous substances at the site and transporters who selected the disposal site and transported substances thereto. Liability under CERCLA is not dependent on the intentional disposal of hazardous substances; it can be based upon the release or threatened release, even as a result of lawful, unintentional and non-negligent action, of hazardous substances as the term is defined by CERCLA and other applicable statutes and regulations. Liability may include contribution for cleanup costs incurred by a defendant in a CERCLA civil action or by an entity that has previously resolved its liability to federal or state regulators in an administrative or judicially-approved settlement. Liability under CERCLA could also include obligations to a PRP that voluntarily expends site clean-up costs. Further, liability for damage to publicly-owned natural resources may also be imposed. We are subject to potential liability under CERCLA as an owner or operator of facilities at which hazardous substances have been disposed and as a generator or transporter of hazardous substances disposed of at other locations.

• The Federal Water Pollution Control Act of 1972, known as the Clean Water Act, regulates the discharge of pollutants into streams, rivers, groundwater, or other surface waters from a variety of sources, including solid and hazardous waste disposal sites. If run-off from our operations may be discharged into surface waters, the Clean Water Act requires us to apply for and obtain discharge permits, conduct sampling and monitoring, and, under certain circumstances, reduce the quantity of pollutants in those discharges. In 1990, the EPA issued additional standards for management of storm water runoff that require landfills and other waste-handling facilities to obtain storm water discharge permits. In addition, if a landfill or other facility discharges wastewater through a sewage system to a publicly-owned treatment works, the facility must comply with discharge limits imposed by the treatment works. Also, before the development or expansion of a landfill can alter or affect "wetlands," a permit may have to be obtained providing for mitigation or replacement wetlands. The Clean Water Act provides for civil, criminal and administrative penalties for violations of its provisions.

• The Clean Air Act of 1970, as amended, provides for increased federal, state and local regulation of the emission of air pollutants. Certain of our operations are subject to the requirements of the Clean Air Act, including large municipal solid waste landfills and large municipal waste-to-energy facilities. Standards have also been imposed on manufacturers of transportation vehicles (including waste collection vehicles). In 1996 the EPA issued new source performance standards and emission guidelines controlling landfill gases from new and existing large landfills. In January 2003, the EPA issued Maximum Achievable Control Technology standards for municipal solid waste landfills subject to the new source performance standards. These regulations impose limits on air emissions from large municipal solid waste landfills, subject most of our large municipal solid waste landfills to certain operating permit requirements under Title V of the Clean Air Act and, in many instances, require installation of landfill gas collection and control systems to control emissions or to treat and utilize landfill gas on- or off-site.

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The EPA has issued source performance standards and emission guidelines for large and small municipal waste-to-energy facilities, which include stringent emission limits for various pollutants based on Maximum Achievable Control Technology standards. These sources are also subject to operating permit requirements under Title V of the Clean Air Act. The Clean Air Act requires the EPA to review and revise the MACT standards applicable to municipal waste-to-energy facilities every five years.

##The Occupational Safety and Health Act of 1970, as amended, establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration, and various reporting and record keeping obligations as well as disclosure and procedural requirements. Various standards for notices of hazards, safety in excavation and demolition work and the handling of asbestos, may apply to our operations. The Department of Transportation and OSHA, along with other federal agencies, have jurisdiction over certain aspects of hazardous materials and hazardous waste, including safety, movement and disposal. Various state and local agencies with jurisdiction over disposal of hazardous waste may seek to regulate movement of hazardous materials in areas not otherwise preempted by federal law.

We are also actively monitoring the following recent developments in United States federal statutes affecting our business:

##In 2010, the EPA issued the Prevention of Significant Deterioration, or PSD, and Title V Greenhouse Gas, or GHG, Tailoring Rule which expanded the EPA's federal air permitting authority to include the six GHGs, including methane and carbon dioxide. The rule sets new thresholds for GHG emissions that define when Clean Air Act permits are required. The current requirements of these rules have not significantly impacted our operations or cash flows, due to the current tailored thresholds and exclusions of certain emissions from regulation. Air permits for new and modified large municipal solid waste landfills, waste-to-energy facilities and landfill gas-to-energy facilities could be impacted, but the degree of impact is incumbent upon the EPA's final determination on permitting of biogenic GHG emissions (e.g. carbon dioxide) as well as the EPA's or implementing states' determinations on what may constitute "Best Available Control Technology" for new projects exceeding certain thresholds. In addition, recent final and proposed reductions in certain National Ambient Air Quality Standards and related PSD increment/significance thresholds could impact the cost, timeliness and availability of air permits for new and modified large municipal solid waste landfills, waste-to-energy facilities and landfill gas-to-energy facilities. In general, controlling emissions involves drilling collection wells into a landfill and routing the gas to a suitable energy recovery system or combustion device. The landfill gas at 137 of our solid waste landfills is currently being captured and utilized for its renewable energy value. Efforts to curtail the emission of greenhouse gases and to ameliorate the effect of climate change may require our landfills to deploy more stringent emission controls, with resulting capital or operating costs; however, we do not believe that such regulations will have a material adverse impact on our business as a whole. See Item 1A. *Risk Factors* — "The adoption of climate change legislation or regulations restricting emissions of "greenhouse gases" could increase our costs to operate." We are striving to anticipate the future needs of our customers by investing in and developing ever-more-advanced recycling and reuse technologies. Potential climate change and GHG regulation initiatives have influenced our business strategy to provide low-carbon services to our customers. If the U.S. were to impose a carbon tax or other form of GHG regulation increasing demand for low-carbon service offerings in the future, the services we are developing will be increasingly valuable.

##In 2011, the EPA published the Non-Hazardous Secondary Materials, or NHSM, Rule, which provides the standards and procedures for identifying whether NHSM are solid waste under RCRA when used as fuels or ingredients in combustion units. The EPA also published new source performance standards and emission guidelines for commercial and industrial solid waste incineration units, and Maximum Achievable Control Technology Standards for commercial and industrial boilers. The EPA has published clarifications and recently published amendments to these rules. In addition, there is litigation surrounding the rules. Although the recently published amendments are generally favorable to our industry, some of the potential regulatory interpretations are still being reviewed and other regulatory

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outcomes may be dependent on case-by-case administrative determinations. These could have a significant impact on some of our projects in which we are seeking to convert biomass or other secondary materials into products, fuels or energy. Therefore, it is not possible to quantify the financial impact of these rulemakings or pending administrative determinations at the present time. However, we do not believe the rules or administrative determinations will have a material adverse impact on our business as a whole.

There are also various state or provincial and local regulations that affect our operations. Each state and province in which we operate has its own laws and regulations governing solid waste disposal, water and air pollution, and, in most cases, releases and cleanup of hazardous substances and liabilities for such matters. States and provinces have also adopted regulations governing the design, operation, maintenance and closure of landfills and transfer stations. Some counties, municipalities and other local governments have adopted similar laws and regulations. Our facilities and operations are likely to be subject to these types of requirements.

In addition, our landfill and waste-to-energy operations are affected by the increasing preference for alternatives to landfill and waste-to-energy disposal. Several state and local governments mandate recycling and waste reduction at the source and prohibit the disposal of certain types of waste, such as yard and food waste, at landfills or waste-to-energy facilities. Legislative and regulatory measures to mandate or encourage waste reduction at the source and waste recycling also have been or are under consideration by the U.S. Congress and the EPA.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of solid waste generated outside the state. While laws that overtly discriminate against out-of-state waste have been found to be unconstitutional, some laws that are less overtly discriminatory have been upheld in court. From time to time, the United States Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of out-of-state or out-of-jurisdiction waste. Additionally, several state and local governments have enacted "flow control" regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific sites. In 1994, the United States Supreme Court ruled that a flow control ordinance that gave preference to a local facility that was privately owned was unconstitutional, but in 2007, the Court ruled that an ordinance directing waste to a facility owned by the local government was constitutional. The United States Congress' adoption of legislation allowing restrictions on interstate transportation of out-of-state or out-of-jurisdiction waste or certain types of flow control could adversely affect our operations. Courts' interpretations of interstate waste and flow control legislation could adversely affect our solid and hazardous waste management services.

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

See Note 11 to the Consolidated Financial Statements for disclosures relating to our current assessments of the impact of regulations on our current and future operations.

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Item 1A. Risk Factors.

In an effort to keep our stockholders 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 are often identified by the words, “will,” “may,” “should,” “continue,” “anticipate,” “believe,” “expect,” “plan,” “forecast,” “project,” “estimate,” “intend” and words of similar nature and generally include statements containing:

- projections about accounting and finances;
- plans and objectives for the future;
- projections or estimates about assumptions relating to our performance; or
- 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 facts and circumstances known to us as of the date the statements are made. All aspects 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 Consolidated Financial Statements and the notes thereto. Outlined below are some of the risks that we believe could affect our business and financial statements for 2013 and beyond and that could cause actual results to be materially different from those that may be set forth in forward-looking statements made by the Company.

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 primarily of two national waste management companies, regional companies and local companies of varying sizes and financial resources, including companies that specialize in certain discrete areas of waste management, operators of alternative disposal facilities and companies that seek to use parts of the waste stream as feedstock for renewable energy and other by-products. 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. In addition, competitors may reduce their prices to expand sales volume or to win competitively-bid contracts, including large national accounts and exclusive franchise arrangements with municipalities. When this happens, we may lose customers and be unable to execute our pricing strategy, resulting in a negative impact to our revenue growth from yield on base business.

If we fail to implement our business strategy, our financial performance and our growth could be materially and adversely affected.

Our future financial performance and success are dependent in large part upon our ability to implement our business strategy successfully. Implementation of our strategy will require effective management of our operational, financial and human resources and will place significant demands on those resources. We have adopted a business strategy built on three key initiatives: know more about our customers and how to service them than anyone else; use conversion and processing technology to extract more value from the materials we manage; and continuously improve our operational efficiency. In the short-term, we intend to pursue these initiatives through efforts to:

- Grow our markets by implementing customer-focused growth, through customer segmentation and through strategic acquisitions, while maintaining our pricing discipline and increasing the amount of recyclable materials we manage each year;

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##Grow our customer loyalty;

##Grow into new markets by investing in greener technologies; and

##Pursue initiatives that improve our operations and cost structure, including our July 2012 restructuring designed to streamline management and staff support.

There are risks involved in pursuing our strategy, including the following:

##Our strategy may result in a significant change to our business, and our employees, customers or investors may not embrace and support our strategy.

##We may not be able to hire or retain the personnel necessary to manage our strategy effectively.

##Customer segmentation is new to our business, and it could result in fragmentation of our efforts, rather than improved customer relationships.

##In efforts to enhance our revenues, we have implemented price increases and environmental fees, and we have continued our fuel surcharge program to offset fuel costs. The loss of volumes as a result of price increases may negatively affect our cash flows or results of operations.

##We may be unsuccessful in implementing improvements to operational efficiency and such efforts may not yield the intended result.

##Our restructuring may not achieve the goals and cost savings intended, and changes in our organizational structure may make our business more fragmented and difficult to oversee and evaluate.

##Our ability to make strategic acquisitions and invest in greener technologies depends on our ability to identify desirable acquisition or investment targets, negotiate advantageous transactions despite competition for such opportunities, fund such acquisitions on favorable terms, and realize the benefits we expect from those transactions.

##Acquisitions, investments and/or new service offerings may not increase our earnings in the timeframe anticipated, or at all, due to difficulties operating in new markets or providing new service offerings, failure of emerging technologies to perform as expected, failure to operate within budget, integration issues, or regulatory issues, among others.

##Integration of acquisitions, investments and/or new services offerings could increase our exposure to the risk of inadvertent noncompliance with applicable laws and regulations.

##Execution of our strategy may cause us to incur substantial research and development costs, make substantial investments in emerging technologies and/or incur additional indebtedness, which may divert capital away from our traditional business operations.

##We continue to seek to divest underperforming and non-strategic assets if we cannot improve their profitability. We may not be able to successfully negotiate the divestiture of underperforming and non-strategic operations, which could result in asset impairments or the continued operation of low-margin businesses.

In addition to the risks set forth above, implementation of our business strategy could also be affected by a number of factors beyond our control, such as increased competition, legal developments, government regulation, general economic conditions, increased operating costs or expenses and changes in industry trends. Further, we may decide to alter or discontinue certain aspects of our business strategy at any time. If we are not able to implement our business strategy successfully, our long-term growth and profitability may be adversely affected. Even if we are able to implement some or all of the initiatives of our business plan successfully, our operating results may not improve to the extent we anticipate, or at all.

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The waste industry is subject to extensive government regulation; existing or future regulations and/or enforcement actions 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, and compliance with such regulations is costly. A large number of complex laws, rules, orders and interpretations govern environmental protection, health, safety, land use, zoning, transportation and related matters. In recent years, we have perceived an increase in both the amount of government regulation and the number of enforcement actions being brought by regulatory entities against operations, in the waste services industry. We expect this heightened governmental focus on regulation and enforcement to continue. Among other things, governmental regulations and enforcement actions 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 on 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, including requirements to recycle rather than landfill certain waste streams.

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 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.

We also have significant financial obligations relating to final capping, closure, post-closure and environmental remediation at our existing landfills. We establish accruals for these estimated costs, but we could underestimate such accruals. Environmental regulatory changes could accelerate or increase capping, closure, post-closure and remediation costs, requiring our expenditures to materially exceed our current accruals.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of solid waste generated outside the state. From time to time, the United States Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of out-of-state or out-of-jurisdiction waste. Additionally, several state and local governments have enacted “flow control” regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific sites. The United States Congress’ adoption of legislation allowing restrictions on interstate transportation of out-of-state or out-of-jurisdiction waste or certain types of flow control could adversely affect our operations. Courts’ interpretations of interstate waste and flow control legislation could adversely affect our solid and hazardous waste management services.

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 and old newsprint. The fluctuations in the market prices or demand for these commodities, particularly demand from Chinese paper mills, can affect our operating income and cash flows negatively, as we have experienced in 2012, or positively, as we experienced in 2011 and 2010. As we have increased the size of our recycling operations, we have also increased our exposure to commodity price fluctuations. The decline in market prices in 2012 for commodities resulted in a year-over-year decrease in revenue of \$428 million compared with 2011. Increases in the prices of recycling commodities

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resulted in year-over-year increases in revenue of \$216 million and \$423 million in 2011 and 2010, respectively. Overall commodity prices increased year-over-year 18% and 57% in 2011 and 2010, respectively, and decreased year-over-year 25% in 2012. These prices may fluctuate substantially and without notice in the future. Additionally, our recycling operations offer rebates to suppliers. Therefore, even if we experience higher revenues based on increased market prices for commodities, the rebates we pay will also increase. In other circumstances, the rebates may be subject to a floor, such that as market prices decrease, any expected profit margins on materials subject to the rebate floor are reduced or eliminated.

There are also 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 that can significantly impact our revenue from yield provided by such businesses. In most of the markets in which we operate, electricity prices correlate with natural gas prices. During the years ended December 31, 2012, 2011 and 2010, 56%, 54% and 47%, respectively, of the electricity revenue at our waste-to-energy facilities was subject to current market rates. Our waste-to-energy facilities' exposure to market price volatility will continue to increase as additional long-term contracts expire. We cannot assure you that we will be able to enter into renewal contracts on comparable or favorable terms, or at all. To mitigate a portion of the variability in our revenues and cash flows caused by fluctuations in the market prices for electricity, we use "receive fixed, pay variable" electricity swaps. Additionally, revenues from our independent power production plants can be affected by price fluctuations. If we are unable to successfully negotiate long-term contracts, or if market prices are at lower levels for sustained periods, our revenues could be adversely affected.

Increasing customer preference for alternatives to landfill disposal and waste-to-energy facilities could reduce our ability to operate at full capacity and cause our revenues and operating results to decline.

Our customers are increasingly diverting waste to alternatives to landfill and waste-to-energy disposal, such as recycling and composting, while also working to reduce the amount of waste they generate. In addition, several state and local governments mandate recycling and waste reduction at the source and prohibit the disposal of certain types of waste, such as yard and food waste, at landfills or waste-to-energy facilities. Where such organic waste is not banned from the landfill or waste-to-energy facility, large customers such as grocery stores and restaurants are choosing to divert their organic waste from landfills. Zero-waste goals (sending no waste to the landfill) have been set by many of North America's largest companies. Although such mandates and initiatives help 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 affecting the prices that we can charge for landfill disposal and waste-to-energy services. Our landfills and our waste-to-energy facilities currently provide and have historically provided our highest operating margins. If we are not successful in expanding our service offerings and growing lines of businesses to service waste streams that do not go to landfills or waste-to-energy facilities and to provide services for customers that wish to reduce waste entirely, then our revenues and operating results will decline. Additionally, despite the development of new service offerings and lines of business, it is reasonably possible that our revenues and our operating margins could be negatively affected due to disposal alternatives.

Developments in technology could trigger a fundamental change in the waste management industry, as waste streams are increasingly viewed as a resource, which may adversely impact volumes at our landfills and waste-to-energy facilities and our profitability.

Our company and others have recognized the value of the traditional waste stream as a potential resource. Research and development activities are on-going to provide disposal alternatives that maximize the value of waste, including using waste as a source for renewable energy and other valuable by-products. We and many other companies are investing in these technologies. It is possible that such investments and technological advancements may reduce the cost of waste disposal or power production to a level below our costs and may reduce the demand for landfill space and waste-to-energy facilities. As a result, our revenues and operating margins could be adversely affected due to advancements in disposal alternatives.

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If we are not able to develop new service offerings and protect intellectual property, or if a competitor develops or obtains exclusive rights to a breakthrough technology, our financial results may suffer.

Our existing and proposed service offerings to customers may require that we invest in, develop or license, and protect, new technologies. Research and development of new technologies and investment in emerging technologies often requires significant spending that may divert capital investment away from our traditional business operations. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services or emerging technologies in which we have invested, which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to bring new products and services to market. Further, protecting our intellectual property rights and combating unlicensed copying and use of intellectual property is difficult, and any inability to obtain or protect new technologies could impact our services to customers and development of new revenue sources. Our Company and others are increasingly focusing on new technologies that provide alternatives to traditional disposal and maximize the resource value of waste. If a competitor develops or obtains exclusive rights to a “breakthrough technology” that provides a revolutionary change in traditional waste management, or if we have inferior intellectual property to our competitors, our financial results may suffer.

Our business depends on our reputation and the value of our brand.

We believe we have developed a reputation for high-quality service, reliability and social and environmental responsibility, and we believe our brand symbolizes these attributes. The Waste Management brand name, trademarks and logos and our reputation are powerful sales and marketing tools, and we devote significant resources to promoting and protecting them. Adverse publicity, whether or not justified, relating to activities by our operations, employees or agents could tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity could reduce demand for our services. This reduction in demand, together with the dedication of time and expense necessary to defend our reputation, could have an adverse effect on our financial condition, liquidity and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

Our operations are subject to environmental, health and safety laws and regulations, as well as contractual obligations that may result in significant liabilities.

There is risk of incurring significant environmental liabilities in the use, treatment, storage, transfer and disposal of waste materials. Under applicable environmental laws and regulations, 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 also be held liable for damage caused by conditions that existed before we acquired the assets or operations involved. This risk is of particular concern as we execute our growth strategy, partially through acquisitions, because we may be unsuccessful in identifying and assessing potential liabilities during our due diligence investigations. Further, the counterparties in such transactions may be unable to perform their indemnification obligations owed to us. Additionally, 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, we are currently, and we may in the future, become involved in 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, citizen groups, 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.

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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.

Further, we often enter into contractual arrangements with landowners imposing obligations on us to meet certain regulatory or contractual conditions upon site closure or upon termination of the agreements. Compliance with these arrangements is inherently subject to subjective determinations and may result in disputes, including litigation. Costs to remediate or restore the condition of closed sites may be significant.

General economic conditions can directly and adversely affect our revenues and our operating margins.

Our business is directly affected by changes in national and general economic factors that are outside of our control, including consumer confidence, interest rates and access to capital markets. A weak economy generally results in decreased consumer spending and decreases in volumes of waste generated, which decreases our revenues. A weak market for consumer goods can significantly decrease demand by paper mills for recycled corrugated cardboard used in packaging; such decrease in demand can negatively impact commodity prices and our operating income and cash flows. In addition, we have a relatively high fixed-cost structure, which is difficult to quickly adjust to match shifting volume levels. Consumer uncertainty and the loss of consumer confidence may limit the number or amount of services requested by customers. Economic conditions may also limit our ability to implement our pricing strategy. For example, many of our contracts have price adjustment provisions that are tied to an index such as the Consumer Price Index, and our costs may increase in excess of the increase, if any, in the Consumer Price Index.

Some of our customers, including governmental entities, have suffered financial difficulties affecting their credit risk, which could negatively impact our operating results.

We provide service to a number of governmental entities and municipalities, some of which have suffered significant financial difficulties due to the downturn in the U.S. economy and reduced tax revenue. Some of these entities could be unable to pay amounts owed to us or renew contracts with us at previous or increased rates.

Many non-governmental customers have also suffered serious financial difficulties, including bankruptcy in some cases. Purchasers of our recyclable commodities can be particularly vulnerable to financial difficulties in times of commodity price volatility. The inability of our customers to pay us in a timely manner or to pay increased rates, particularly large national accounts, could negatively affect our operating results.

In addition, the financial difficulties of municipalities could result in a decline in investors' demand for municipal bonds and a correlating increase in interest rates. As of December 31, 2012, we had \$587 million of variable-rate tax-exempt bonds that are subject to repricing on either a daily or a weekly basis through a remarketing process and \$475 million of tax-exempt bonds with term interest rate periods that are subject to repricing within the next twelve months. If the weakness in the municipal debt market results in repricing of our tax-exempt bonds at significantly higher interest rates, we will incur increased interest expenses that may negatively affect our operating results and cash flows.

We may be unable to obtain or maintain required permits or to expand existing permitted capacity of our landfills, which could decrease our revenue and increase our costs.

Our ability to meet our financial and operating objectives depends in part on our ability to obtain and maintain the permits necessary to operate landfill sites. Permits to build, operate and expand solid waste management facilities, including landfills and transfer stations, have become more difficult and expensive to obtain and maintain. Permits often take years to obtain as a result of numerous hearings and compliance requirements with regard to zoning, environmental and other regulations. These permits are also often subject to resistance from citizen or other groups and other political pressures. Local communities and citizen groups, adjacent landowners or governmental agencies may oppose the issuance of a permit or approval we may need, allege violations of the permits under which we currently operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage. Responding to these challenges has, at times, increased our costs and extended the time associated with establishing new facilities and expanding existing facilities. In addition, failure to receive regulatory and zoning approval may prohibit us from establishing new

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facilities or expanding existing facilities. Our failure to obtain the required permits to operate our landfills could have a material adverse impact on our consolidated financial condition, results of operations and cash flows.

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

The price and supply of fuel 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. On average, diesel fuel prices increased 3% and 29% for 2012 and 2011, respectively. We need fuel to run our collection and transfer trucks and our 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. Additionally, we are currently party to pending litigation that pertains to our fuel and environmental charges included on our invoices and generally alleges that such charges were not properly disclosed, were unfair, and were contrary to customer service contracts. See Note 11 of the Consolidated Financial Statements for more information. Regardless of any offsetting surcharge programs, the increased operating costs will decrease our operating margins.

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 the operation of our current information technology systems or the technology systems of third parties on which we rely, as well as 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. Inabilities and delays in implementing new systems can also affect our ability to realize projected or expected cost savings. Additionally, any systems failures could impede our ability to timely collect and report financial results in accordance with applicable laws and regulations.

A cybersecurity incident could negatively impact our business and our relationships with customers.

We use computers in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our employees and our customers. Such uses give rise to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' personal information, private information about employees, and financial and strategic information about the Company and its business partners. We also rely on a Payment Card Industry compliant third party to protect our customers' credit card information. Further, as the Company pursues its strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, the Company is also expanding and improving its information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage.

Our operating expenses could increase as a result of labor unions organizing or changes in regulations related to labor unions.

Labor unions continually attempt to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees are currently represented by unions, and we have negotiated collective bargaining agreements with these unions. Additional groups of employees may seek union representation in the

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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, our operating expenses could increase significantly as a result of work stoppages, including strikes. Any of these matters could adversely affect our financial condition, results of operations and cash flows.

We could face significant liabilities for withdrawal from multiemployer pension plans.

We have participated in and contributed to various multiemployer pension plans administered by employer and union trustees. In renegotiation of collective bargaining agreements with labor unions that participate in these plans, we may decide to discontinue participation in various plans. When we withdraw from plans, we can incur withdrawal liabilities for those plans that have underfunded pension liabilities. Various factors affect our liabilities for a plan's underfunded status, including the numbers of retirees and active workers in the plan, the ongoing solvency of participating employers, the investment returns obtained on plan assets, and the ratio of our historical participation in such plan to all employers' historical participation; depending on such factors, future withdrawals could have a material adverse effect on results of operations for a particular reporting period. We reflect any withdrawal liability as an operating expense in our statement of operations and as a liability on our balance sheet.

We have previously withdrawn several employee bargaining units from underfunded multiemployer pension plans, and we recognized related expenses of \$10 million in 2012 and \$26 million in 2010. We are still negotiating and litigating final resolutions of our withdrawal liability for certain withdrawals, which could be higher than the charges we have recognized.

Our business is subject to operational and safety risks, including the risk of personal injury to employees and others.

Providing environmental and waste management services involves risks such as truck accidents, equipment defects, malfunctions and failures, and natural disasters, which could potentially result in releases of hazardous materials, injury or death of employees and others, or a need to shut down or reduce operation of our facilities while remedial actions are undertaken. These risks expose us to potential liability for pollution and other environmental damages, personal injury, loss of life, business interruption, and property damage or destruction.

While we seek to minimize our exposure to such risks through comprehensive training and compliance programs, as well as vehicle and equipment maintenance programs, if we were to incur substantial liabilities in excess of any applicable insurance, our business, results of operations and financial condition could be adversely affected.

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 additional costs for environmental damage if our insurance coverage is ultimately inadequate to cover those damages. We also carry a broad range of other insurance coverages that are customary for a company our size. We use these programs to mitigate risk of loss, thereby enabling us to manage our self-insurance exposure associated with claims. The inability of our insurers to meet their commitments in a timely manner and the effect of significant claims or litigation against insurance companies may subject us to additional risks. To the extent our insurers are unable to meet their obligations, or our own obligations for claims are 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 variable-rate tax-exempt debt, final capping, closure, post-closure and environmental remediation obligations, we generally obtain letters of credit or surety bonds, rely on insurance, including captive insurance, fund trust and escrow accounts or rely upon WM financial guarantees. We currently have in place all financial assurance instruments necessary for our operations.

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General economic factors may adversely affect the cost of our current financial assurance instruments and changes in regulations may impose stricter requirements on the types of financial assurance that will be accepted. Additionally, 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. It is possible that we could be forced to deposit cash to collateralize our obligations. Other forms of financial assurance could be more expensive to obtain, and any requirements to use cash to support our obligations would negatively impact our liquidity and capital resources and could affect our ability to meet our obligations as they become due.

We may record material charges against our earnings due to any number of events that could cause impairments to our assets.

In accordance with GAAP, we capitalize certain expenditures and advances relating to disposal site development, expansion projects, acquisitions, software development costs and other projects. Events that could, in some circumstances, lead to an impairment include, but are not limited to, shutting down a facility or operation or abandoning a development project or the denial of an expansion permit. If we determine a development or expansion project is impaired, we will charge against earnings any unamortized capitalized expenditures and advances relating to such facility or project reduced by any portion of the capitalized costs that we estimate will be recoverable, through sale or otherwise. We also carry a significant amount of goodwill on our Consolidated Balance Sheet, which is required to be assessed for impairment annually, and more frequently in the case of certain triggering events. We may be required to incur charges against earnings if we determine that events such as those described cause impairments. Any such charges could have a material adverse effect on our results of operations.

Our capital requirements and our business strategy could increase our expenses, cause us to change our growth and development plans, or fail to maintain our desired credit profile.

Recent economic conditions have reduced our cash flows from operations and could do so in the future. If impacts on our cash flows from operations are significant, we may reduce or suspend capital expenditures, growth and acquisition activity, implementation of our business strategy, or dividend declarations, and we may delay reinstating share repurchases from when we otherwise would. We may choose to incur indebtedness to pay for these activities, and there can be no assurances that we would be able to incur indebtedness on terms we deem acceptable or that we would maintain our targeted balance of debt to equity. We also may need to incur indebtedness to refinance scheduled debt maturities, and it is possible that the cost of financing could increase significantly, thereby increasing our expenses and decreasing our net income. Further, our ability to execute our financial strategy and our ability to incur indebtedness depends on our ability to maintain investment grade ratings on our senior debt. The credit rating process is contingent upon our credit profile, as well as a number of other factors, many of which are beyond our control. If we were unable to maintain our investment grade credit ratings in the future, our interest expense would increase and our ability to obtain financing on favorable terms could be adversely affected.

Additionally, we have \$1.5 billion of debt as of December 31, 2012 that is exposed to changes in market interest rates within the next twelve months because of the combined impact of our tax-exempt bonds, our interest rate swap agreements and borrowings outstanding under our Canadian Credit Facility. If interest rates increase, our interest expense would also increase, lowering our net income and decreasing our cash flow.

We may use our \$2.0 billion revolving credit facility to meet our cash needs, to the extent available, until its maturity in May 2016. As of December 31, 2012, we had \$400 million of borrowings and \$933 million of letters of credit issued and supported by the facility, leaving an unused and available credit capacity of \$667 million. 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. Without waivers from lenders party to those agreements, any such default would have a material adverse effect on our ability to continue to operate.

Table of Contents***The adoption of climate change legislation or regulations restricting emissions of “greenhouse gases” could increase our costs to operate.***

Our landfill operations emit methane, identified as GHG. Efforts to curtail the emission of GHGs to ameliorate the effect of climate change could advance on the federal, regional or state level, and should comprehensive climate change legislation be enacted, we expect it to impose costs on our operations, the materiality of which we cannot predict. In 2010, the EPA published a Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule, which expanded the EPA’s federal air permitting authority to include the six GHGs. The rule sets new thresholds for GHG emissions that define when Clean Air Act permits are required. The current requirements of these rules have not significantly impacted our operations or cash flows, due to the current tailored thresholds and exclusions of certain emissions from regulation. However, if certain changes to these regulations are enacted, such as the lowering of thresholds or inclusion of biogenic emissions, such amendments could have a material adverse effect on our results of operations or cash flows.

The seasonal nature of our business and “one-time” special projects cause our 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 that most often impact our operations in the Southern and Eastern U.S., can actually increase our revenues in the areas affected. While weather-related and other “one-time” occurrences can boost revenues through additional work for a limited time span, as a result of significant start-up costs and other factors, such revenue sometimes generates earnings at comparatively lower margins.

Certain weather conditions, including severe weather storms, 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.

For these and other reasons, operating results in any interim period are not necessarily 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. Our stock price may be negatively impacted by interim variations in our results.

We could be subject to significant fines and penalties, and our reputation could be adversely affected, if our businesses, or third parties with whom we have a relationship, were to fail to comply with United States or foreign laws or regulations.

Some of our projects and new business may be conducted in countries where corruption has historically been prevalent. It is our policy to comply with all applicable anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, and with applicable local laws of the foreign countries in which we operate, and we monitor our local partners’ compliance with such laws as well. Our reputation may be adversely affected if we were reported to be associated with corrupt practices or if we or our local partners failed to comply with such laws. Such damage to our reputation could adversely affect our ability to grow our business. Additionally, violations of such laws could subject us to significant fines and penalties.

The construction of new international waste-to-energy facilities is subject to many business risks and uncertainties that could cause such projects to fail to achieve the financial results anticipated.

Our Wheelabrator business in investing in growing its waste-to-energy business in China and Europe through projects to develop, construct and/or operate new facilities. Development and construction of a waste-to-energy facility is a complex, capital intensive, long-term process subject to risks of delays, cost overruns and

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financing difficulty. Additionally, technology incorporated in such facilities may not perform as anticipated. Any of these risks, among others, may cause such projects to fail to achieve the financial results anticipated, which could have a negative impact on our operating results.

Additionally, the financing, development, construction and operation of projects outside the United States can entail significant political and financial risks, which vary by country, including:

- changes in law or regulations;
- changes in disposal and electricity pricing;
- changes in foreign tax laws and regulations;
- changes in United States federal, state and local laws, including tax laws, related to foreign operations;
- compliance with United States federal, state and local foreign corrupt practices laws;
- changes in government policies or personnel;
- changes in general economic conditions affecting each country, including conditions in financial markets;
- changes in labor relations in operations outside the United States;
- political, economic or military instability and civil unrest; and
- credit quality of entities that purchase our power.

The legal and financial environment in foreign countries could also make it more difficult for us to enforce our rights under agreements. Any or all of the risks identified above with respect to our international projects could adversely affect our revenue and cash generation.

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 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 financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are in Houston, Texas, where we lease approximately 480,000 square feet under leases expiring through 2020. We have field-based administrative offices in Arizona, Illinois, Texas, Connecticut and New Hampshire. We own or lease real property in most locations where we have operations. We have operations in all 50 states except Montana. We also have operations in the District of Columbia, Puerto Rico and throughout Canada.

Our principal property and equipment consists of land (primarily landfills and other disposal facilities, transfer stations and bases for collection operations), buildings, vehicles and equipment. We believe that our

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vehicles, equipment, and operating properties are adequately maintained and sufficient for our current operations. However, we expect to continue to make investments in additional equipment and property for expansion, for replacement of assets, and in connection with our strategic growth plans. For more information, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* included within this report.

The following table summarizes our various operations at December 31 for the periods noted:

	<u>2012</u>	<u>2011</u>
Landfills:		
Owned	211	211
Operated through lease agreements	24	25
Operated through contractual agreements	34	35
	<u>269</u>	<u>271</u>
Transfer stations	297	287
Material recovery facilities	114	107
Secondary processing facilities	12	13
Waste-to-energy facilities	17	17
Independent power production plants	5	5

The following table provides certain information regarding the 235 landfills owned or operated through lease agreements and a count of landfills operated through contractual agreements, transfer stations and material recovery facilities as of December 31, 2012:

	<u>Landfills Owned or Operated Through Lease Agreements</u>			<u>Landfills Operating Through Contractual Agreements</u>	<u>Transfer Stations</u>	<u>Material Recovery Facilities</u>
	<u>Landfills</u>	<u>Total Acreage (a)</u>	<u>Permitted Acreage (b)</u>			
Solid Waste	231	144,356	37,685	2,166	34	294
Wheelabrator	4	781	341	—	—	3
	<u>235</u>	<u>145,137</u>	<u>38,026</u>	<u>2,166</u>	<u>34</u>	<u>297</u>

- (a) "Total acreage" includes permitted acreage, expansion acreage, other acreage available for future disposal that has not been permitted, buffer land and other land owned or leased by our landfill operations.
- (b) "Permitted acreage" consists of all acreage at the landfill encompassed by an active permit to dispose of waste.
- (c) "Expansion acreage" consists of unpermitted acreage where the related expansion efforts meet our criteria to be included as expansion airspace. A discussion of the related criteria is included within the *Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Assumptions* section included herein.

Item 3. Legal Proceedings.

Information regarding our legal proceedings can be found under the *Environmental Matters* and *Litigation* sections of Note 11 in the Consolidated Financial Statements included in this report.

Item 4. Mine Safety Disclosures.

Information concerning mine safety and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this annual report.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

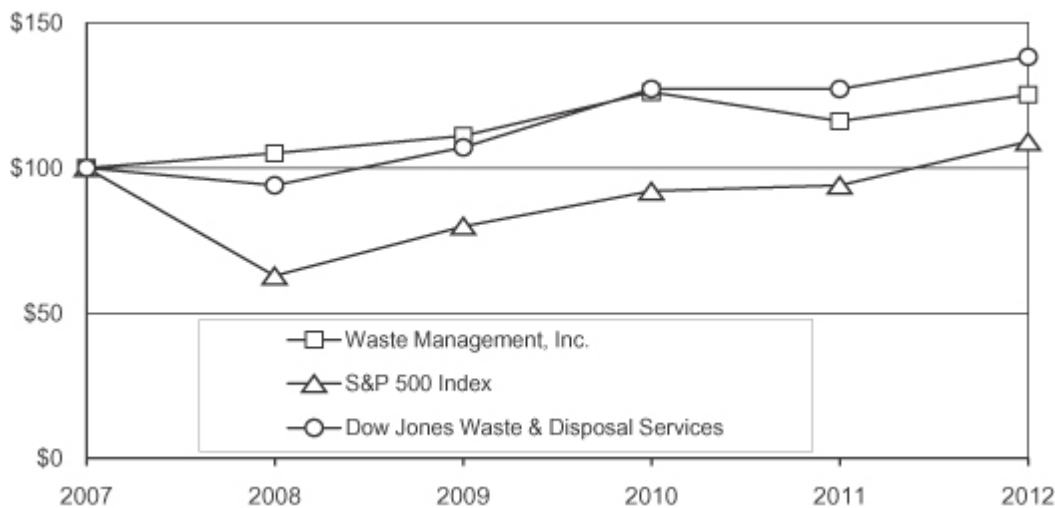
Our common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “WM.” The following table sets forth the range of the high and low per-share sales prices for our common stock as reported on the NYSE:

	<u>High</u>	<u>Low</u>
2011		
First Quarter	\$38.58	\$35.86
Second Quarter	39.69	36.22
Third Quarter	38.06	27.76
Fourth Quarter	35.52	29.77
2012		
First Quarter	\$35.75	\$32.11
Second Quarter	36.35	31.93
Third Quarter	35.70	31.08
Fourth Quarter	34.45	30.83
2013		
First Quarter (through February 7, 2013)	\$37.98	\$33.70

On February 7, 2013, the closing sale price as reported on the NYSE was \$36.55 per share. The number of holders of record of our common stock on February 7, 2013 was 13,036.

The graph below shows the relative investment performance of Waste Management, Inc. common stock, the Dow Jones Waste & Disposal Services Index and the S&P 500 Index for the last five years, assuming reinvestment of dividends at date of payment into the common stock. The graph is presented pursuant to SEC rules and is not meant to be an indication of our future performance.

Comparison of Cumulative Five Year Total Return



	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Waste Management, Inc.	\$ 100	\$ 105	\$ 111	\$ 126	\$ 116	\$ 125
S&P 500 Index	\$ 100	\$ 63	\$ 80	\$ 92	\$ 94	\$ 109
Dow Jones Waste & Disposal Services Index	\$ 100	\$ 94	\$ 107	\$ 127	\$ 127	\$ 138

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Our quarterly dividends have been declared and authorized by our Board of Directors. Cash dividends declared and paid were \$604 million in 2010, or \$1.26 per common share, \$637 million in 2011, or \$1.36 per common share and \$658 million in 2012, or \$1.42 per common share.

We did not repurchase any shares of common stock in 2012 pursuant to the \$500 million authorized by the Board of Directors in December 2011, which expired at the end of 2012.

In December 2012, we announced that our Board of Directors expects to increase the per share quarterly dividend from \$0.355 to \$0.365 for dividends declared in 2013. However, all future dividend declarations are at the discretion of the Board of Directors, and depend on various factors, including our net earnings, financial condition, cash required for future business plans and other factors the Board of Directors may deem relevant. Additionally, the Board of Directors authorized up to \$500 million in share repurchases in connection with the 2013 financial plan. Any future share repurchases will be made at the discretion of management and will depend on factors similar to those considered by the Board of Directors in making dividend declarations.

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The information below was derived from the audited Consolidated Financial Statements included in this report and in previous annual reports we filed with the SEC. This information should be read together with those Consolidated Financial Statements and the notes thereto. The adoption of new accounting pronouncements, changes in certain accounting policies and certain reclassifications impact the comparability of the financial information presented below. These historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,				
	2012(a)	2011(a)	2010(a)	2009	2008
	(In millions, except per share amounts)				
Statement of Operations Data:					
Operating revenues	\$13,649	\$13,378	\$12,515	\$11,791	\$13,388
Costs and expenses:					
Operating	8,879	8,541	7,824	7,241	8,466
Selling, general and administrative	1,472	1,551	1,461	1,364	1,477
Depreciation and amortization	1,297	1,229	1,194	1,166	1,238
Restructuring	67	19	(2)	50	2
(Income) expense from divestitures, asset impairments and unusual items	83	10	(78)	83	(29)
	<u>11,798</u>	<u>11,350</u>	<u>10,399</u>	<u>9,904</u>	<u>11,154</u>
Income from operations	1,851	2,028	2,116	1,887	2,234
Other expense, net	(548)	(508)	(485)	(414)	(437)
Income before income taxes	1,303	1,520	1,631	1,473	1,797
Provision for income taxes	443	511	629	413	669
Consolidated net income	860	1,009	1,002	1,060	1,128
Less: Net income attributable to noncontrolling interests	43	48	49	66	41
Net income attributable to Waste Management, Inc.	<u>\$ 817</u>	<u>\$ 961</u>	<u>\$ 953</u>	<u>\$ 994</u>	<u>\$ 1,087</u>
Basic earnings per common share	<u>\$ 1.76</u>	<u>\$ 2.05</u>	<u>\$ 1.98</u>	<u>\$ 2.02</u>	<u>\$ 2.21</u>
Diluted earnings per common share	<u>\$ 1.76</u>	<u>\$ 2.04</u>	<u>\$ 1.98</u>	<u>\$ 2.01</u>	<u>\$ 2.19</u>
Cash dividends declared per common share	<u>\$ 1.42</u>	<u>\$ 1.36</u>	<u>\$ 1.26</u>	<u>\$ 1.16</u>	<u>\$ 1.08</u>
Balance Sheet Data (at end of period):					
Working capital (deficit)	\$ (613)	\$ (689)	\$ (3)	\$ 109	\$ (701)
Goodwill and other intangible assets, net	6,688	6,672	6,021	5,870	5,620
Total assets	23,097	22,569	21,476	21,154	20,227
Debt, including current portion	9,916	9,756	8,907	8,873	8,326
Total Waste Management, Inc. stockholders' equity	6,354	6,070	6,260	6,285	5,902
Total equity	6,675	6,390	6,591	6,591	6,185

(a) For more information regarding these financial data, see the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section included in this report. For disclosures associated with the impact of the adoption of new accounting pronouncements and changes in our accounting policies on the comparability of this information, see Note 2 to the Consolidated Financial Statements.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This section includes a discussion of our results of operations for the three years ended December 31, 2012. This discussion may contain forward-looking statements that anticipate results based on management's plans that are subject to uncertainty. We discuss in more detail various factors that could cause actual results to differ from expectations in Item 1A, *Risk Factors*. The following discussion should be read in light of that disclosure and together with the Consolidated Financial Statements and the notes to the Consolidated Financial Statements.

Overview

Our Company is dedicated to three transformational goals that we believe will drive continued growth and leadership in a dynamic industry: know more about our customers and how to service them than anyone else; use conversion and processing technology to extract more value from the materials we manage; and continuously improve our operational efficiency. Our strategy supports diversion from landfills and converting waste into valuable products as customers seek more economically and environmentally sound alternatives. We intend to pursue achievement of our long-term goals in the short-term through efforts to:

- Grow our markets by implementing customer-focused growth, through customer segmentation and through strategic acquisitions, while maintaining our pricing discipline and increasing the amount of recyclable materials we manage each year;
- Grow our customer loyalty;
- Grow into new markets by investing in greener technologies; and
- Pursue initiatives that improve our operations and cost structure.

These efforts will be supported by ongoing improvements in information technologies. We believe that execution of our strategy will provide long-term value to our stockholders.

Highlights of our financial results for 2012 include:

- Revenues of \$13.6 billion compared with \$13.4 billion in 2011, an increase of \$271 million, or 2.0%. This increase in revenues is primarily attributable to:
 - Increases associated with acquired businesses of \$535 million, of which \$314 million is related to Oakleaf;
 - Internal revenue growth from yield on our collection and disposal business of 0.8% in the current year, which increased revenue by \$86 million;
 - Year-over-year increase in internal revenue growth from volume of \$67 million, primarily from our recycling brokerage business and our material recovery facilities. Additionally, revenues increased due to higher special waste volumes; and
 - Increases from fuel surcharges and mandated fees of \$33 million;
 - Offset in large part by decreases from lower recyclable commodity prices, lower electricity prices and foreign currency translation totaling \$446 million;
- Operating expenses of \$8.9 billion, or 65.1% of revenues, compared with \$8.5 billion, or 63.8% of revenues, in 2011. This increase of \$338 million is due in large part to our acquisition of Oakleaf, and related increases in subcontractor costs, as well as the impact of higher fuel prices on direct and indirect fuel costs, which have related revenue increases as noted above. This increase was partially offset by a decrease in customer rebates because of lower recyclable commodity prices;
- Selling, general and administrative expenses decreased \$79 million, or 5.1%, from \$1,551 million in 2011 to \$1,472 million in 2012, primarily due to reductions in incentive compensation and long-term incentive plan expenses and a decrease in consulting costs due to the implementation of our initiatives focusing on procurement and operational and back-office efficiencies. These decreases were partially offset by increases to support our strategic plan to grow into new markets and expand service offerings, including the acquisition of Oakleaf;

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Income from operations of \$1.9 billion, or 13.6% of revenues, in 2012 compared with \$2.0 billion, or 15.2% of revenues, in 2011;

Net income of \$817 million, or \$1.76 per diluted share for 2012, as compared with \$961 million, or \$2.04 per diluted share in 2011; and

We returned \$658 million to our shareholders through dividends in 2012, compared with \$637 million in 2011.

The following explanation of certain notable items that impacted the comparability of our 2012 results with 2011 has been provided to support investors' understanding of our performance. Our 2012 results were affected by the following:

The recognition of pre-tax impairment charges aggregating \$109 million attributable primarily to facilities in our medical waste services business and investments in waste diversion technologies. These items had a negative impact of \$0.17 on our diluted earnings per share;

The recognition of pre-tax restructuring costs aggregating \$82 million primarily related to our July 2012 restructuring as well as integration costs associated with our acquisition of Oakleaf. These items had a negative impact of \$0.11 on our diluted earnings per share;

The recognition of a pre-tax charge of \$10 million related to the withdrawal from an underfunded multiemployer pension plan and a pre-tax charge of \$6 million resulting from a labor union dispute. These items had a negative impact of \$0.02 on our diluted earnings per share; and

The recognition of pre-tax charges aggregating \$10 million related to an accrual for legal reserves and the impact of a decrease in the risk-free discount rate used to measure our environmental remediation liabilities. These items had a negative impact of \$0.01 on our diluted earnings per share.

The following explanation of certain notable items that impacted the comparability of our 2011 results with 2010 has been provided to support investors' understanding of our performance. Our 2011 results were affected by the following:

The recognition of a pre-tax charge of \$24 million as a result of a litigation loss, which had a negative impact of \$0.03 on our diluted earnings per share;

The recognition of pre-tax restructuring charges, excluding charges recognized in the operating results of Oakleaf, of \$17 million related to our cost savings programs. These charges were primarily related to employee severance and benefit costs and had a negative impact of \$0.02 on our diluted earnings per share;

The reduction in pre-tax earnings of approximately \$11 million related to the Oakleaf acquisition, which includes the operating results of Oakleaf and related interest expense and integration costs. These items had a negative impact of \$0.01 on our diluted earnings per share;

The recognition of a favorable pre-tax benefit of \$9 million from a revision to an environmental remediation liability at a closed landfill, which had a positive impact of \$0.01 on our diluted earnings per share;

The recognition of non-cash, pre-tax asset impairment charges of \$9 million primarily related to two of our medical waste services facilities. The impairment charges had a negative impact of \$0.01 on our diluted earnings per share; and

The recognition of a tax benefit of \$19 million due to favorable tax audit settlements and favorable adjustments relating to the finalization of our 2010 tax returns. These items had a positive impact of \$0.04 on our diluted earnings per share.

Our 2010 results were affected by the following:

The recognition of pre-tax charges aggregating \$55 million related to remediation and closure costs at five closed sites, which had a negative impact of \$0.07 on our diluted earnings per share;

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• The recognition of net tax charges of \$32 million due to refinements in estimates of our deferred state income taxes and the finalization of our 2009 tax returns, partially offset by favorable tax audit settlements, all of which, combined, had a negative impact of \$0.07 on our diluted earnings per share;

• The recognition of a net favorable pre-tax benefit of \$46 million for litigation and associated costs, which had a favorable impact of \$0.06 on our diluted earnings per share; and

• The recognition of net pre-tax charges of \$26 million as a result of the withdrawal of certain of our union bargaining units from an underfunded multiemployer pension plan, which had a negative impact of \$0.03 on our diluted earnings per share.

During 2012, we continued to produce strong cash flows from operating activities and return cash to our shareholders through dividends, despite very challenging commodity market conditions. Our fourth quarter 2012 results were in line with our expectations, and our internal revenue growth from yield was at its highest level for the year, positioning the Company to focus on growing earnings. In 2013, we expect to see increased internal revenue growth from yield and volume, as well as continued benefit from our cost savings programs, including our 2012 restructuring. We will also continue to emphasize strong cash flow to support our dividend, debt reduction, share repurchases, and appropriate acquisition and investment opportunities.

Free Cash Flow

As is our practice, we are presenting 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 define free cash flow as net cash provided by operating activities, less capital expenditures, plus proceeds from divestitures of businesses (net of cash divested) and other sales of assets. We 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, we believe free cash flow gives investors useful 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.

Our calculation of free cash flow and reconciliation to “Net cash provided by operating activities” is shown in the table below (in millions), and may not be calculated the same as similarly-titled measures presented by other companies:

	Years Ended December 31,		
	2012	2011	2010
Net cash provided by operating activities	\$ 2,295	\$ 2,469	\$ 2,275
Capital expenditures	(1,510)	(1,324)	(1,104)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets (a)	44	53	44
Free cash flow	<u>\$ 829</u>	<u>\$ 1,198</u>	<u>\$ 1,215</u>

(a) Proceeds from divestitures of businesses for the year ended December 31, 2011 included the receipt of a payment of \$17 million related to a note receivable from a prior year divestiture. This receipt is included as a component of “Other” within “Cash flows from investing activities” in our Consolidated Statement of Cash Flows.

When comparing our cash flows from operating activities for the year ended December 31, 2012 to the comparable period in 2011, the decrease was primarily related to the impact of lower cash earnings, an increase in tax payments of \$63 million year-over-year, the payment of \$59 million to settle the liabilities associated with the termination of our forward starting swaps in September 2012 and unfavorable impacts of working capital changes. The decrease was partially offset by a favorable cash receipt of \$72 million resulting from the termination of interest rate swaps in April 2012.

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When comparing our cash flows from operating activities for the year ended December 31, 2011 to the comparable period in 2010, the change is primarily attributable to decreases in our income tax payments, which positively affected our cash flow from operations, as well as a cash payment of \$37 million made when our Canadian hedges matured in December 2010. This increase was partially offset by a favorable cash benefit of \$77 million resulting from a litigation settlement in April 2010 and a \$65 million federal tax refund in the third quarter of 2010 related to the liquidation of a foreign subsidiary in 2009.

The increase in capital expenditures is a result of our increased spending on compressed natural gas vehicles, related fueling infrastructure and growth initiatives, and the impact of timing differences associated with cash payments for the previous years' fourth quarter capital spending. We generally use a significant portion of our free cash flow on capital spending in the fourth quarter of each year. A more significant portion of our fourth quarter 2011 and 2010 spending was paid in cash in 2012 and 2011, respectively, than in the preceding year.

Acquisition of Oakleaf Global Holdings

On July 28, 2011, we paid \$432 million, net of cash received of \$4 million and inclusive of certain adjustments, to acquire Oakleaf. Oakleaf provides outsourced waste and recycling services through a nationwide network of third-party haulers. The operations we acquired generated approximately \$580 million in revenues in 2010. We acquired Oakleaf to advance our growth and transformation strategies and increase our national accounts customer base while enhancing our ability to provide comprehensive environmental solutions. For the year ended December 31, 2011, we incurred \$1 million of acquisition-related costs, which were classified as "Selling, general and administrative" expenses. For the year ended December 31, 2011, subsequent to the acquisition date, Oakleaf recognized revenues of \$265 million and net income of less than \$1 million, which are included in our Consolidated Statement of Operations. For the year ended December 31, 2012, Oakleaf recognized revenues of \$617 million and net losses of \$29 million, which are included in the Consolidated Statement of Operations.

The following table shows adjustments since September 30, 2011 to the allocation of the purchase price of Oakleaf to the assets acquired and liabilities assumed based on their estimated fair value; this allocation was finalized as of September 30, 2012 (in millions):

	<u>September 30, 2011</u>	<u>Adjustments</u>	<u>September 30, 2012</u>
Accounts and other receivables	\$ 68	\$ 3	\$ 71
Other current assets	28	—	28
Property and equipment	77	(7)	70
Goodwill	320	8	328
Other intangible assets	92	(5)	87
Accounts payable	(80)	(2)	(82)
Accrued liabilities	(48)	—	(48)
Deferred income taxes, net	(13)	4	(9)
Other liabilities	(12)	(1)	(13)
Total purchase price	<u>\$ 432</u>	<u>\$ —</u>	<u>\$ 432</u>

The following table presents the final allocation of the purchase price to intangible assets (amounts in millions, except for amortization periods):

	<u>Amount</u>	<u>Weighted Average Amortization Periods (in Years)</u>
Customer relationships	\$ 74	10.0
Vendor relationships	4	10.0
Trademarks	9	15.0
	<u>\$ 87</u>	10.5

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Goodwill of \$328 million was calculated as the excess of the consideration paid over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill is a result of expected synergies from combining the Company's operations with Oakleaf's national accounts customer base and vendor network. The vendor-hauler network expands our partnership with third-party service providers. In many cases we can provide vendor-haulers with opportunities to maintain and increase their business by utilizing our extensive post-collection network. We believe this will generate significant benefits for the Company and for the vendor-haulers. Goodwill has been assigned to our Areas as they are expected to benefit from the synergies of the combination. Goodwill related to this acquisition is not deductible for income tax purposes.

The following pro forma consolidated results of operations have been prepared as if the acquisition of Oakleaf occurred at January 1, 2010 (in millions, except per share amounts):

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 13,693	\$ 13,059
Net income attributable to Waste Management, Inc.	955	935
Basic earnings per common share	2.03	1.95
Diluted earnings per common share	2.03	1.94

Subsequent Event

In January 2013, we acquired Greenstar, LLC, an operator of recycling and resource recovery facilities. We paid cash consideration of \$170 million, subject to post-closing adjustments. Pursuant to the sale and purchase agreement, up to an additional \$40 million is payable to the sellers during the period from 2014 to 2018 should Greenstar, LLC satisfy certain performance criteria over this period.

Basis of Presentation of Consolidated Financial Information

Indefinite-Lived Intangible Assets Impairment Testing — In July 2012, the Financial Accounting Standards Board ("FASB") amended authoritative guidance associated with indefinite-lived intangible assets testing. The amended guidance provides companies the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. The amendments are effective for indefinite-lived intangible impairment tests performed for fiscal years beginning after September 15, 2012; however, early adoption was permitted. The Company's early adoption of this guidance in 2012 did not have an impact on our consolidated financial statements. Additional information on impairment testing can be found in Note 3 to the Consolidated Financial Statements.

Comprehensive Income — In June 2011, the FASB issued amended authoritative guidance associated with comprehensive income, which requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. In December 2011, the FASB deferred the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. The amendments to authoritative guidance associated with comprehensive income were effective for the Company on January 1, 2012 and have been applied retrospectively. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Fair Value Measurement — In May 2011, the FASB amended authoritative guidance associated with fair value measurements. This amended guidance defines certain requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. The amendments to authoritative guidance associated with fair value measurements were effective for the Company on January 1,

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2012 and have been applied prospectively. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Goodwill Impairment Testing — In September 2011, the FASB amended authoritative guidance associated with goodwill impairment testing. The amended guidance provides companies the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step impairment test. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption was permitted. The Company's early adoption of this guidance in 2011 did not have an impact on our consolidated financial statements. Additional information on impairment testing can be found in Note 3 to the Consolidated Financial Statements.

Multiple-Deliverable Revenue Arrangements — In October 2009, the FASB amended authoritative guidance associated with multiple-deliverable revenue arrangements. This amended guidance addresses the determination of when individual deliverables within an arrangement are required to be treated as separate units of accounting and modifies the manner in which consideration is allocated across the separately identifiable deliverables. The amendments to authoritative guidance associated with multiple-deliverable revenue arrangements became effective for the Company on January 1, 2011. The new accounting standard has been applied prospectively to arrangements entered into or materially modified after the date of adoption. The adoption of this guidance has not had a material impact on our consolidated financial statements.

Consolidation of Variable Interest Entities — In June 2009, the FASB issued revised authoritative guidance associated with the consolidation of variable interest entities. The new guidance primarily uses a qualitative approach for determining whether an enterprise is the primary beneficiary of a variable interest entity and, is therefore, required to consolidate the entity. This new guidance generally defines the primary beneficiary as the entity that has (i) the power to direct the activities of the variable interest entity that can most significantly impact the entity's performance and (ii) the obligation to absorb losses and the right to receive benefits from the variable interest entity that could be significant from the perspective of the entity. The new guidance also requires that we continually reassess whether we are the primary beneficiary of a variable interest entity rather than conducting a reassessment only upon the occurrence of specific events.

As a result of our implementation of this guidance, effective January 1, 2010, we deconsolidated certain final capping, closure, post-closure and environmental remediation trusts because we share power over significant activities of these trusts with others. Our financial interests in these entities are discussed in Note 20 to the Consolidated Financial Statements. The deconsolidation of these trusts has not materially affected our financial position, results of operations or cash flows during the periods presented.

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, 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. 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 present the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments, deferred income taxes and reserves associated with our insured and self-insured claims. Each of these items is discussed in additional detail below. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

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Landfills

Accounting for landfills requires that significant estimates and assumptions be made regarding (i) the cost to construct and develop each landfill asset; (ii) the estimated fair value of final capping, closure and post-closure asset retirement obligations, which must consider both the expected cost and timing of these activities; (iii) the determination of each landfill's remaining permitted and expansion airspace; and (iv) the airspace associated with each final capping event.

Landfill Costs — We estimate the total cost to develop each of our landfill sites to its remaining permitted and expansion capacity. This estimate includes such costs as landfill liner material and installation, excavation for airspace, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized interest, on-site road construction and other capital infrastructure costs. Additionally, landfill development includes all land purchases for the landfill footprint and required landfill buffer property. The projection of these landfill costs is dependent, in part, on future events. The remaining amortizable basis of each landfill includes costs to develop a site to its remaining permitted and expansion capacity and includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs.

Final Capping Costs — We estimate the cost for each final capping event based on the area to be finally capped and the capping materials and activities required. The estimates also consider when these costs are anticipated to be paid and factor in inflation and discount rates. Our engineering personnel allocate final landfill capping costs to specific final capping events. The landfill capacity associated with each final capping event is then quantified and the final capping costs for each event are amortized over the related capacity associated with the event as waste is disposed of at the landfill. We review these costs annually, or more often if significant facts change. Changes in estimates, such as timing or cost of construction, for final capping events immediately impact the required liability and the corresponding asset. When the change in estimate relates to a fully consumed asset, the adjustment to the asset must be amortized immediately through expense. When the change in estimate relates to a final capping event that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of landfill airspace amortization.

Closure and Post-Closure Costs — We base our estimates for closure and post-closure costs on our interpretations of permit and regulatory requirements for closure and post-closure monitoring and maintenance. The estimates for landfill closure and post-closure costs also consider when the costs are anticipated to be paid and factor in inflation and discount rates. The possibility of changing legal and regulatory requirements and the forward-looking nature of these types of costs make any estimation or assumption less certain. Changes in estimates for closure and post-closure events immediately impact the required liability and the corresponding asset. When the change in estimate relates to a fully consumed asset, the adjustment to the asset must be amortized immediately through expense. When the change in estimate relates to a landfill asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of landfill airspace amortization.

Remaining Permitted Airspace — Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is used to compare the existing landfill topography to the expected final landfill topography.

Expansion Airspace — We include currently unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. First, to include airspace associated with an expansion effort, we must generally expect the initial expansion permit application to be submitted within one year, and the final expansion permit to be received within five years. Second, we must believe the success of obtaining the expansion permit is likely, considering the following criteria:

- Personnel are actively working on the expansion of an existing landfill, including efforts to obtain land use and local, state or provincial approvals;
- It is likely that the approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located;

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• We have a legal right to use or obtain land to be included in the expansion plan;

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

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

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

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated by our field-based engineers, accountants, managers and others to identify potential obstacles to obtaining the permits. Once the unpermitted airspace is included, our policy provides that airspace may continue to be included in remaining permitted and expansion airspace even if certain of these criteria are no longer met as long as we continue to believe we will ultimately obtain the permit, based on the facts and circumstances of a specific landfill. In these circumstances, continued inclusion must be approved through a landfill-specific review process that includes approval of our Chief Financial Officer and a review by the Audit Committee of our Board of Directors on a quarterly basis. Of the 32 landfill sites with expansions included at December 31, 2012, 10 landfills required the Chief Financial Officer to approve the inclusion of the unpermitted airspace. Six of these landfills required approval by our Chief Financial Officer because of community or political opposition that could impede the expansion process. The remaining four landfills required approval due to local zoning restrictions or because the permit application processes do not meet the one- or five-year requirements.

When we include the expansion airspace in our calculations of remaining permitted and expansion airspace, we also include the projected costs for development, as well as the projected asset retirement cost related to final capping, closure and post-closure of the expansion in the amortization basis of the landfill.

Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor, or AUF, is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys and is then adjusted to account for settlement. The amount of settlement that is forecasted will take into account several site-specific factors including current and projected mix of waste type, initial and projected waste density, estimated number of years of life remaining, depth of underlying waste, anticipated access to moisture through precipitation or recirculation of landfill leachate, and operating practices. In addition, the initial selection of the AUF is subject to a subsequent multi-level review by our engineering group, and the AUF used is reviewed on a periodic basis and revised as necessary. Our historical experience generally indicates that the impact of settlement at a landfill is greater later in the life of the landfill when the waste placed at the landfill approaches its highest point under the permit requirements.

After determining the costs and remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for each landfill for assets associated with each final capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future. These rates per ton are updated annually, or more often, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts, could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates, or related assumptions, prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates or higher expenses; or higher profitability may result if the opposite occurs. Most significantly, if it is determined that the expansion capacity should no longer be considered in calculating the recoverability of the landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time management makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

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Environmental Remediation Liabilities

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. These liabilities include potentially responsible party (“PRP”) investigations, settlements, and certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials, external contractor costs and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We routinely review and evaluate sites that require remediation and determine our estimated cost for the likely remedy based on a number of estimates and assumptions.

Where it is probable that a liability has been incurred, we estimate costs required to remediate sites based on site-specific facts and circumstances. We routinely review and evaluate sites that require remediation, considering whether we were an owner, operator, transporter, or generator at the site, the amount and type of waste hauled to the site and the number of years we were associated with the site. Next, we review the same type of information with respect to other named and unnamed PRPs. Estimates of the cost for the likely remedy are then either developed using our internal resources or by third-party environmental engineers or other service providers. Internally developed estimates are based on:

- Management’s judgment and experience in remediating our own and unrelated parties’ sites;
- Information available from regulatory agencies as to costs of remediation;
- The number, financial resources and relative degree of responsibility of other PRPs who may be liable for remediation of a specific site; and
- The typical allocation of costs among PRPs unless the actual allocation has been determined.

Asset Impairments

Our long-lived assets, including landfills and landfill expansions, are carried on our financial statements based on their cost less accumulated depreciation or amortization. We monitor the carrying value of our long-lived assets for potential impairment and test the recoverability of such assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. These events or changes in circumstances, including management decisions pertaining to such assets, are referred to as impairment indicators. If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If cash flows cannot be separately and independently identified for a single asset, we will determine whether an impairment has occurred for the group of assets for which we can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset or asset group; (ii) actual third-party valuations; and/or (iii) information available regarding the current market for similar assets. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs and is included in the “(Income) expense from divestitures, asset impairments and unusual items” line item in our Consolidated Statement of Operations. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized, which could impact our ability to accurately assess whether an asset has been impaired.

There are additional considerations for impairments of landfills, goodwill and other indefinite-lived intangible assets, as described below.

Landfills — The assessment of impairment indicators and the recoverability of our capitalized costs associated with landfills and related expansion projects require significant judgment due to the unique nature of the waste industry, the highly regulated permitting process and the sensitive estimates involved. During the review of a landfill expansion application, a regulator may initially deny the expansion application although the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill

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to another to conserve remaining permitted landfill airspace, or a landfill may be required to cease accepting waste, prior to receipt of the expansion permit. However, such events occur in the ordinary course of business in the waste industry and do not necessarily result in impairment of our landfill assets because, after consideration of all facts, such events may not affect our belief that we will ultimately obtain the expansion permit. As a result, our tests of recoverability, which generally make use of a probability-weighted cash flow estimation approach, may indicate that no impairment loss should be recorded. At December 31, 2012, three of our landfill sites in two jurisdictions, for which we believe receipt of expansion permits is probable, are not currently accepting waste. The net recorded capitalized landfill asset cost for these three sites was \$493 million at December 31, 2012. We performed tests of recoverability for these landfills and the undiscounted cash flows resulting from our probability-weighted estimation approach significantly exceeded the carrying values of each of these three sites.

Goodwill — At least annually, and more frequently if warranted, we assess our goodwill for impairment.

In July 2012, we announced organizational changes including removing the management layer of our four geographic Groups and consolidating and reducing the number of our geographic Areas through which we evaluate and oversee our Solid Waste business from 22 to 17. With the elimination of the geographic Groups, we have determined that our Areas constitute reporting units and we now assess whether a goodwill impairment exists at the Area level. Goodwill previously assigned to the Groups was allocated to the Areas on a relative fair value basis. This reorganization did not change our other reporting units, including the Wheelabrator business and our other less material reporting units including recycling brokerage and waste diversion technology businesses.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment or two-step impairment test to determine whether a goodwill impairment exists at the reporting unit. The first step in our quantitative assessment identifies potential impairments by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. Fair value is typically estimated using a combination of the income approach and market approach or only an income approach when applicable. The income approach is based on the long-term projected future cash flows of the reporting units. We discount the estimated cash flows to present value using a weighted-average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting units' expected long-term performance considering the economic and market conditions that generally affect our business. The market approach estimates fair value by measuring the aggregate market value of publicly-traded companies with similar characteristics to our business as a multiple of their reported cash flows. We then apply that multiple to the reporting units' cash flows to estimate their fair values. We believe that this approach is appropriate because it provides a fair value estimate using valuation inputs from entities with operations and economic characteristics comparable to our reporting units.

Fair value computed by these two methods is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that these two methods provide a reasonable approach to estimating the fair value of our reporting units.

In the second quarter of 2012, we believed an impairment indicator existed such that the fair value of our Wheelabrator business could potentially be less than its carrying amount because of the negative effect on our revenues of the continued deterioration of electricity commodity prices, coupled with our continued increased exposure to market prices as a result of the expiration of several long-term, fixed-rate electricity commodity

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contracts at our waste-to-energy and independent power facilities, and the expiration of several long-term disposal contracts at above-market rates. As a result, we performed an interim impairment analysis of Wheelabrator's goodwill balance, of \$788 million. We performed the interim quantitative assessment using both an income and a market approach in the second quarter of 2012, which indicated that the estimated fair value of our Wheelabrator business exceeded its carrying value.

In the fourth quarter of 2012, we performed our annual impairment test of our goodwill balances using a measurement date of October 1, 2012. This impairment test indicated that the estimated fair value of our Wheelabrator business exceeded its carrying value by approximately 10% compared to an excess of 30% at our annual fourth quarter 2011 test. This quantitative assessment was performed using both an income and market approach similar to our interim quantitative assessment. If market prices for electricity worsen or do not recover as we have projected, our disposal volumes or rates decline, our costs or capital expenditures exceed our forecasts or our costs of capital increase, the estimated fair value of our Wheelabrator business could decrease and potentially result in an impairment charge in a future period. We will continue to monitor our Wheelabrator business.

Our annual goodwill impairment test also indicated that the estimated fair value of our Eastern Canada Area exceeded its carrying value by approximately 5%. This quantitative assessment also was performed using both an income and market approach. The Eastern Canada Area goodwill balance was \$295 million at October 1, 2012. If we do not achieve our anticipated disposal volumes, our collection or disposal rates decline, our costs or capital expenditures exceed our forecasts, costs of capital increase, or we do not receive anticipated landfill expansions, the estimated fair value of our Eastern Canada Area could decrease and potentially result in an impairment charge in a future period. We will continue to monitor our Eastern Canada Area.

Refer to Note 6 to the Consolidated Financial Statements for additional information related to goodwill impairment considerations made during the reported periods.

Indefinite-Lived Intangible Assets Other Than Goodwill — At least annually, and more frequently if warranted, we assess indefinite-lived intangible assets other than goodwill for impairment.

Beginning in 2012, when performing the impairment test for indefinite-lived intangible assets, we generally first conduct a qualitative analysis to determine whether we believe it is more likely than not that an asset has been impaired. If we believe an impairment has occurred, we then evaluate for impairment by comparing the estimated fair value of assets to the carrying value. An impairment charge is recognized if the asset's estimated fair value is less than its carrying value.

Fair value is typically estimated using an income approach. The income approach is based on the long-term projected future cash flows. We discount the estimated cash flows to present value using a weighted-average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the expected long-term performance considering the economic and market conditions that generally affect our business.

Fair value computed by this method is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that this method provides a reasonable approach to estimating the fair value of the reporting units.

Refer to Note 6 to the Consolidated Financial Statements for additional information related to indefinite-lived intangible assets impairment considerations made during the reported periods.

Deferred Income Taxes

Deferred income taxes are based on the difference between the financial reporting and tax basis of assets and liabilities. The deferred income tax provision represents the change during the reporting period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carry-forwards and are reduced by a valuation allowance if, based on available

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evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves for uncertain tax positions when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be challenged and potentially disallowed. When facts and circumstances change, we adjust these reserves through our provision for income taxes.

Insured and Self-Insured Claims

We have retained a significant portion of the risks related to our health and welfare, automobile, general liability and workers' compensation insurance programs. Our liabilities associated with the exposure for unpaid claims and associated expenses, including incurred but not reported losses, are based on an actuarial valuation and internal estimates. The accruals for these liabilities could be revised if future occurrences or loss development significantly differ from our assumptions used. Estimated recoveries associated with our insured claims are recorded as assets when we believe that the receipt of such amounts is probable.

Results of Operations

Operating Revenues

Our operating revenues generally come from fees charged for our collection, disposal, transfer, recycling and resource recovery, and waste-to-energy services and from sales of commodities by our recycling, waste-to-energy and landfill gas-to-energy operations. Revenues from our collection operations are influenced by factors such as collection frequency, type of collection equipment furnished, type and volume or weight of the waste collected, distance to the disposal facility or MRF and our disposal costs. Revenues from our landfill operations consist of tipping fees, which are generally based on the type and weight or volume of waste being disposed of at our disposal facilities. Fees charged at transfer stations are generally based on the weight or volume of waste deposited, taking into account our cost of loading, transporting and disposing of the solid waste at a disposal site. Recycling revenue generally consists of tipping fees and the sale of recyclable commodities to third parties. The fees we charge for our collection, disposal, transfer and recycling services generally include fuel surcharges, which are indexed to current market costs for fuel. Our waste-to-energy revenues, which are generated by our Wheelabrator business, are based on the type and weight or volume of waste received at our waste-to-energy facilities and IPPs and amounts charged for the sale of energy and steam. Our "Other" lines of business include Oakleaf, our landfill gas-to-energy operations, Port-O-Let[®] services, portable self-storage, fluorescent lamp recycling and oil and gas producing properties. Intercompany revenues between our operations have been eliminated in the consolidated financial statements. These operations are presented as "Other" in the table below. Shown below (in millions) is the contribution to revenues during each year:

	Years Ended December 31,		
	2012	2011	2010
Solid Waste	\$13,056	\$12,998	\$12,613
Wheelabrator	846	877	889
Other	2,106	1,534	975
Intercompany	(2,359)	(2,031)	(1,962)
Total	<u>\$13,649</u>	<u>\$13,378</u>	<u>\$12,515</u>

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

	Years Ended December 31,		
	2012	2011	2010
Collection:			
Commercial	\$ 3,417	\$ 3,499	\$ 3,391
Residential	2,584	2,609	2,594
Industrial	2,129	2,052	1,988
Other	275	246	274
Total collection	8,405	8,406	8,247
Landfill	2,685	2,611	2,540
Transfer	1,296	1,280	1,318
Wheelabrator	846	877	889
Recycling	1,360	1,580	1,169
Other	1,416	655	314
Intercompany(b)	(2,359)	(2,031)	(1,962)
Total	<u>\$13,649</u>	<u>\$13,378</u>	<u>\$12,515</u>

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 2012 vs. 2011		Period-to-Period Change 2011 vs. 2010	
	<u>Amount</u>	As a % of Total	<u>Amount</u>	As a % of Total
		<u>Company(a)</u>		<u>Company(a)</u>
Average yield(b)	\$ (319)	(2.4)%	\$ 572	4.6%
Volume	67	0.5	(187)	(1.5)
Internal revenue growth	(252)	(1.9)	385	3.1
Acquisitions	535	4.0	449	3.6
Divestitures	(4)	—	(2)	—
Foreign currency translation	(8)	(0.1)	31	0.2
Total	<u>\$ 271</u>	<u>2.0%</u>	<u>\$ 863</u>	<u>6.9%</u>

(a) Calculated by dividing the amount of current year increase or decrease by the prior year's total company revenue adjusted to exclude the impacts of current year divestitures (\$13,374 million and \$12,513 million for 2012 and 2011, respectively).

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- (b) The amounts reported herein represent the changes in our revenue attributable to average yield for the total Company. We also analyze the changes in average yield in terms of related-business revenues in order to differentiate the changes in yield attributable to our pricing strategies from the changes that are caused by market-driven price changes in commodities. The following table summarizes changes in revenues from average yield on a related-business basis (dollars in millions):

	Period-to-Period Change 2012 vs. 2011		Period-to-Period Change 2011 vs. 2010	
	Amount	As a % of Related Business (i)	Amount	As a % of Related Business (i)
Average yield:				
Collection, landfill and transfer	\$ 107	1.0%	\$ 198	2.0%
Waste-to-energy disposal(ii)	(21)	(4.6)	(5)	(1.1)
Collection and disposal(ii)	86	0.8	193	1.8
Recycling commodities	(428)	(26.6)	216	17.8
Electricity(ii)	(10)	(3.7)	(6)	(2.2)
Fuel surcharges and mandated fees	33	5.3	169	37.7
Total	<u>\$ (319)</u>	(2.4)	<u>\$ 572</u>	4.6

- (i) Calculated by dividing the increase or decrease for the current year by the prior year's related business revenue, adjusted to exclude the impacts of divestitures for the current year. The table below summarizes the related business revenues for each year, adjusted to exclude the impacts of divestitures (in millions):

	Denominator	
	2012	2011
Related-business revenues:		
Collection, landfill and transfer	\$10,414	\$10,111
Waste-to-energy disposal	457	466
Collection and disposal	10,871	10,577
Recycling commodities	1,612	1,215
Electricity	273	273
Fuel surcharges and mandated fees	618	448
Total Company	<u>\$13,374</u>	<u>\$12,513</u>

- (ii) Average revenue growth for yield for "Collection and disposal" excludes all electricity-related revenues generated by our Wheelabrator business and our landfill gas-to-energy operations, which are reported as "Electricity" revenues.

Our revenues increased \$271 million, or 2.0%, and \$863 million, or 6.9%, for the years ended December 31, 2012 and 2011, respectively. The year-over-year change in revenues for both periods has been driven by (i) revenue growth from average yield on our collection and disposal operations; (ii) acquisitions, particularly the acquisition of Oakleaf, which increased year-over-year consolidated revenues by \$314 million for 2012 and \$251 million for 2011; and (iii) market factors, including fluctuations in recyclable commodity prices that negatively affected revenues in 2012 and favorably affected our revenues in 2011; volatility in diesel prices that affects the revenues provided by our fuel surcharge program; foreign currency translation, which negatively affected our revenues from our Canadian operations in 2012 but favorably impacted our revenues in 2011; and lower electricity prices, which correlate with natural gas prices and cause fluctuations in the rates we receive for electricity under our power purchase contracts and merchant transactions. Further affecting revenue changes were revenue increases due to higher volumes in 2012 but revenues declines due to lower volumes in 2011.

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The following provides further details associated with our period-to-period change in revenues.

Average yield

Collection and disposal average yield — This measure reflects the effect on our revenue from the pricing activities of our collection, transfer, landfill and waste-to-energy disposal operations, exclusive of volume changes. Revenue growth from collection and disposal average yield during both years includes not only base rate changes 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.

In 2012, revenue growth from collection and disposal average yield was \$86 million, or 0.8%, as compared with the prior year. This revenue increase from yield was primarily driven by our collection operations; however, we also experienced yield growth from our disposal operations. Our commercial and industrial lines of business continue to drive our yield growth in our collection operations. Our 0.8% increase for 2012 is less than the 1.8% increase for 2011. This is due in large part to reduced increases of certain service fees and continued pressure from competition in our commercial line of business. Additionally, we have experienced downward pressure on our revenue growth from yield in our residential line of business. Due to competition, it has become increasingly difficult to retain customers and to win new contracts at current average rates; as a result, in many instances, the Company has offered increased services without a commensurate increase in pricing when bidding on or renewing residential contracts and pursuing residential subscription business. These increased services are principally recycling services, which are typically priced lower than our average rates. This combination of increased competition and bundling of complementary services, such as recycling, in the residential line of business has put added pressure on our revenue growth from yield though we did see a steadily improving trend throughout 2012.

In both 2012 and 2011, our total collection and disposal revenue growth from yield was negatively affected by the expiration and renegotiation of a long-term disposal contract in August 2011 at one of our waste-to-energy facilities in South Florida. The expiration and renegotiation of this contract decreased revenues both in our waste-to-energy disposal line of business, by approximately \$17 million and \$5 million for the years ended December 31, 2012 and 2011, respectively; and in our collection line of business, by approximately \$7 million and \$2 million in 2012 and 2011, respectively. Certain of the franchise agreements serviced by our collection operations in South Florida contain specific language that ties a portion of their total rate to the disposal rate charged by this waste-to-energy facility to our collection operations. The expiration of this long-term contract in South Florida negatively impacted our total collection and disposal yield by approximately \$24 million and \$7 million in 2012 and 2011, respectively. Additionally, for 2012, we experienced further downward pressure on our revenue growth from yield of approximately \$7 million resulting from the expiration and renegotiation of a second similar long-term waste-to-energy disposal contract in South Florida at the end of March 2012. We expect this negative trend to continue into 2013. Although the factors discussed above negatively affected our revenue growth from yield in 2012 as compared with 2011, we did see a favorable rate of revenue growth from yield in our landfill line of business during 2012. Overall, we have found that increasing our revenue growth from yield is currently a challenge given the increased service offerings in many of our new contracts and the highly competitive environment. Despite these headwinds, we continue to maintain our pricing discipline in order to improve yield on our base business.

Revenues from our environmental fee, which are included in average yield on collection and disposal, increased by \$41 million and \$47 million for the years ended December 31, 2012 and 2011, respectively. Environmental fee revenues totaled \$344 million in 2012 as compared with \$303 million in 2011 and \$256 million in 2010. Revenue increase from environmental fees flattened, as we did not implement fee increases in 2012 commensurate with the prior year. During 2013, we are not expecting our environmental fee to contribute significantly to our revenue growth.

Recycling commodities — Decreases in the prices of the recycling commodities we sold resulted in a decrease in revenues of \$428 million, with an estimated negative impact on income from operations of approximately \$130 million for 2012. Our year-over-year commodity prices declined almost 25% in 2012 driven

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by the continued increase in supply and lower demand. In 2011, higher recycling commodity prices were the principal driver of our revenue increase of \$216 million as compared with 2010, with an estimated favorable impact on income from operations of approximately \$60 million. In 2013, we expect recycling commodity sales prices to average levels present at the end of 2012 and be slightly negative in the first half of the year compared to 2012.

Fuel surcharges and mandated fees — These revenues, which are predominantly generated by our fuel surcharge program, increased by \$33 million and \$169 million for the years ended December 31, 2012 and 2011, respectively. These increases are attributable to the fluctuation in the national average prices for diesel fuel that we use for our fuel surcharge program. 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, which increased \$11 million and \$6 million for the years ended December 31, 2012 and 2011, respectively.

Volume — Changes in our volume caused our revenue to increase \$67 million, or 0.5%, for the year ended December 31, 2012. This is a notable improvement from the prior year when revenue decline due to volume was \$187 million, or 1.5%, for the year ended December 31, 2011.

In 2012, our total landfill revenue increased \$49 million over the comparable prior year period due to higher third-party volumes, primarily driven by higher special waste volumes in the eastern and mid-western parts of the country. In addition, revenues increased from year-over-year volume growth in our recycling brokerage business and our material recovery facilities by \$61 million for 2012. The additional recycling capacity that we added during 2011 and 2012, as well as our continued pursuit of municipal volumes, contributed to this increase in revenues due to volume.

Volume declines from our collection business accounted for a \$65 million revenue decline for the year ended December 31, 2012. The decline was primarily driven by our commercial and, to a lesser extent, our residential collection lines of business, which we attribute to the effects of pricing, competition and diversion of waste by customers, as well as the overall continued weakness in the economy. Revenue declines due to lower volumes in these two collection lines of business were offset, in part, by revenue increases in our industrial collection line of business, driven in large part by the growth of our oilfield services business. Furthermore, revenue increased due to volume growth in our non-traditional collection businesses, as well as in our ancillary services, primarily driven by increases in our medical waste services, our in-plant services and our portable self-storage services businesses. Finally, our 2012 volume growth was favorably impacted by the Hurricane Sandy cleanup efforts in the fourth quarter by about \$26 million.

In 2011, volume declines from our collection business accounted for \$327 million of volume-related revenue decline. We experienced commercial and residential collection revenue declines due to lower volume that we attributed to the overall weakness in the economy, as well as the effects of pricing, competition and diversion of waste by consumers. Our industrial collection operations were negatively affected by the economic environment due to the construction slowdown across the United States. Lower third-party volumes in our transfer station operations also caused revenue declines generally attributed to economic conditions and the effects of pricing and competition. Furthermore, the overall year-over-year comparison of volumes in the collection line of business was unfavorably impacted by our year-over-year volume change of \$94 million from the oil spill clean-up activities along the Gulf Coast in 2010. Additionally, in 2011, we experienced revenue declines at our waste-to-energy facilities, primarily driven by the expiration of a long-term electric power capacity agreement, which was offset to some extent by increases in waste tons processed and electricity produced.

Revenue declines due to volume detailed above were offset, in part, by revenue increases of \$101 million for the year ended December 31, 2011, primarily from year-over-year volume improvements in our recycling brokerage business and in our material recovery facilities. Our continued pursuit of municipal volumes as well as the addition of new single stream recycling facilities during 2011 contributed to these revenue increases due to volume. We also experienced volume-related revenue increases of \$37 million for the year ended December 31, 2011 from our strategic growth businesses and our landfill gas-to-energy operations. Additionally, our total landfill revenues increased \$41 million in 2011 due to higher third-party volumes as compared with the prior

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year, primarily driven by higher special waste volumes in the eastern and mid-western parts of the country. However, our landfill municipal solid waste volumes declined in 2011 as compared with the prior year due to economic conditions, increased pricing, competition and increased focus on waste reduction and diversion by consumers.

Acquisitions — Revenues increased \$535 million and \$449 million for the years ended December 31, 2012 and 2011, respectively, due to acquisitions. Both in 2012 and 2011, the significant revenue increase due to acquisitions was principally associated with Oakleaf, included in our “Other” business. With the anniversary of the Oakleaf acquisition in July 2012, we will not continue to experience the same year-over-year revenue growth from this acquisition. Additionally, in 2012, acquisitions increased our revenues in our collection line of business, due in part to our oilfield services and recycling lines of business. These acquisitions demonstrate our focus on identifying strategic growth opportunities in new, complementary lines of business.

Operating Expenses

Our operating expenses include (i) labor and related benefits (excluding labor costs associated with maintenance and repairs discussed below), which include salaries and wages, bonuses, related payroll taxes, insurance and benefits costs and the costs associated with contract labor; (ii) transfer and disposal costs, which include tipping fees paid to third-party disposal facilities and transfer stations; (iii) maintenance and repairs relating to equipment, vehicles and facilities and related labor costs; (iv) subcontractor costs, which include the costs of independent haulers who transport waste collected by us to disposal facilities and are affected by variables such as volumes, distance and fuel prices; (v) costs of goods sold, which are primarily rebates paid to suppliers associated with recycling commodities; (vi) fuel costs, which represent the costs of fuel and oil to operate our truck fleet and landfill operating equipment; (vii) disposal and franchise fees and taxes, which include landfill taxes, municipal franchise fees, host community fees and royalties; (viii) landfill operating costs, which include interest accretion on landfill liabilities, interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets, leachate and methane collection and treatment, landfill remediation costs and other landfill site costs; (ix) risk management costs, which include auto liability, workers’ compensation, general liability and insurance and claim costs; and (x) other operating costs, which include, among other costs, equipment and facility rent, property taxes, utilities and supplies.

Our operating expenses increased \$338 million, or 4.0%, when comparing 2012 with 2011 and increased \$717 million, or 9.2%, when comparing 2011 with 2010. Operating expenses as a percentage of revenues were 65.1% in 2012, 63.8% in 2011 and 62.5% in 2010. The increases in our operating expenses during the years ended December 31, 2012 and 2011 can largely be attributed to the following:

Acquisitions and growth initiatives — In both 2012 and 2011, we experienced cost increases attributable to recently acquired businesses and our various growth and business development initiatives. We estimate that these cost increases, which affected each of the operating cost categories identified in the table below, accounted for 109% and 42% of our \$338 million and \$717 million increases in operating expenses during 2012 and 2011, respectively. Recent acquisitions include Oakleaf and a number of collection operations, including oilfield services, and several recycling operations. In particular, the acquisition of Oakleaf increased operating costs by \$263 million and \$213 million in 2012 and 2011, respectively, primarily impacting subcontractor costs and, to a lesser extent, cost of goods sold, repair and maintenance, and other categories. The increase in operating expenses resulting from acquired businesses was more than offset by increased revenues from acquired businesses.

Market prices for recyclable commodities — In both 2012 and 2011, volatile market prices for recyclable commodities was the main driver of the changes in cost of goods sold, as presented in the table below, primarily due to customer recycling rebates. Overall market prices for recycling commodities decreased by approximately 25% in 2012 and increased 20% in 2011.

Volume changes — During 2012, we experienced an increase in variable costs attributable to higher volumes in certain lines of business, particularly our recycling, industrial collection and non-traditional collection businesses. In our non-traditional collection businesses, we experienced volume increases primarily in our in-plant services. Additionally, increased volumes related to Hurricane Sandy contributed to

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higher volumes in the latter part of 2012. During 2011, we experienced volume declines as a result of the ongoing weakness of the overall economic environment, pricing, competition and increased focus on waste reduction and diversion by consumers. We continue to manage our fixed costs and control our variable costs as we experience volume increases and decreases. These cost fluctuations due to volume have impacted each of the operating cost categories identified in the table below.

The following table summarizes the major components of our operating expenses, including the impact of foreign currency translation, for the years ended December 31 (dollars in millions):

	2012	Period-to-Period		2011	Period-to-Period		2010
		Change			Change		
Labor and related benefits	\$2,407	\$ 71	3.0%	\$2,336	\$ 36	1.6%	\$2,300
Transfer and disposal costs	964	27	2.9	937	(6)	(0.6)	943
Maintenance and repairs	1,157	67	6.1	1,090	49	4.7	1,041
Subcontractor costs	1,190	242	25.5	948	178	23.1	770
Cost of goods sold	919	(152)	(14.2)	1,071	295	38.0	776
Fuel	649	21	3.3	628	135	27.4	493
Disposal and franchise fees and taxes	630	28	4.7	602	13	2.2	589
Landfill operating costs	224	(31)	(12.2)	255	(39)	(13.3)	294
Risk management	230	8	3.6	222	20	9.9	202
Other	509	57	12.6	452	36	8.7	416
	<u>\$8,879</u>	<u>\$ 338</u>	4.0%	<u>\$8,541</u>	<u>\$717</u>	9.2%	<u>\$7,824</u>

In addition to the significant items noted above, other factors contributing to the changes in our operating expenses are discussed below:

Labor and related benefits — The comparability of our labor and related benefits costs for the periods presented has been affected by costs incurred primarily associated with the withdrawal of certain bargaining units from underfunded multiemployer pension plans. These costs increased 2012 expense by \$10 million and 2010 expense by \$26 million.

The other contributing factors that increased costs in 2012 and 2011 were (i) higher hourly and salaried wages due to merit increases effective April 2011 and 2010 and (ii) increases stipulated in labor union agreements. These costs were offset by lower incentive compensation in 2012.

Maintenance and repairs — The increase was primarily due to (i) increased fleet maintenance costs, which include services provided by third-parties, tires, parts and internal shop labor costs; and (ii) differences in the timing and scope of planned maintenance projects at our waste-to-energy facilities.

Subcontractor costs — As noted above, the increases in 2012 and 2011 in subcontractor costs was primarily a result of acquisitions; principally the Oakleaf acquisition. Other contributing factors include; (i) our various growth and business development initiatives, primarily associated with servicing our in-plant services and healthcare solutions customers, (ii) higher fuel prices, as discussed below, which resulted in an increase in the fuel component of our subcontractor costs; and (iii) increased volumes related to Hurricane Sandy during 2012. The comparability to prior years was also affected by \$54 million in costs related to oil spill clean up activities in 2010.

Fuel — On average, diesel fuel prices increased 3% and 29% for 2012 and 2011, respectively. Higher fuel costs resulted in increases in both our direct fuel costs and in the fuel component of our subcontractor costs as compared with the prior periods. Increased revenues attributable to our fuel surcharge largely offset the higher fuel costs. Our fuel surcharges covered approximately 95% of recoverable fuel costs in both 2012 and 2011.

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Landfill Operating Costs — The year-over-year decreases in 2012 and 2011 were primarily attributable to the following:

- The recognition of an unfavorable adjustment of \$17 million during 2011 due to a decrease from 3.50% to 2.00% in United States Treasury rates used as the discount rate to estimate the present value of our environmental remediation obligations and recovery assets; and
- Additional landfill site costs experienced along the East Coast during 2011, which were due to significant rainfall events, including the effects from spring flooding and Hurricane Irene and Tropical Storm Lee partially offset by
- The 2011 recognition of a \$9 million favorable revision to an environmental liability at a closed site based on the estimated cost of the remediation as prescribed by the EPA; and
- The 2010 recognition of \$50 million in additional environmental expenses related to four closed sites.

Other — The comparability of our other costs for the periods presented has been affected by (i) 2012 costs associated with a labor union dispute in the Seattle Area; (ii) increased oil and gas development expense in 2012; and (iii) oil spill clean-up activities along the Gulf Coast in 2010.

Selling, General and Administrative

Our selling, general and administrative expenses consist of (i) labor and related benefit costs, which include salaries, bonuses, related insurance and benefits, contract labor, payroll taxes and equity-based compensation; (ii) professional fees, which include fees for consulting, legal, audit and tax services; (iii) provision for bad debts, which includes allowances for uncollectible customer accounts and collection fees; and (iv) other selling, general and administrative expenses, which include, among other costs, facility-related expenses, voice and data telecommunication, advertising, travel and entertainment, rentals, postage and printing. In addition, the financial impacts of litigation settlements generally are included in our “Other” selling, general and administrative expenses.

Our selling, general and administrative expenses decreased by \$79 million, or 5.1%, and increased \$90 million, or 6.2% when comparing 2012 with 2011 and 2011 with 2010, respectively. Our selling, general and administrative expenses as a percentage of revenues were 10.8% in 2012, 11.6% in 2011 and 11.7% in 2010.

The most significant items affecting our selling, general and administrative costs during the three-year period ended December 31, 2012 are summarized below:

- A decrease in incentive compensation, included in labor and related benefits below, of \$73 million in 2012;
- A decrease in non-cash compensation expense, included in labor and related benefits below, attributable to our long-term incentive plan, or LTIP, of \$15 million in 2012 and an increase of \$10 million in 2011;
- Consulting costs, included in professional fees below, of \$37 million in 2011 during the start-up phase of our Company-wide initiatives focusing on procurement and operational and back-office efficiency. During 2012, these consulting costs decreased \$26 million as we completed the start-up phase early in the year; however, this was partially offset by approximately \$10 million of additional costs associated with our efforts to implement these initiatives; and
- An increase in costs, primarily labor, of approximately \$34 million and \$53 million during 2012 and 2011, respectively, incurred to support our strategic plan to grow into new markets and provide expanded service offerings, including our integration of Oakleaf.

In addition, in July 2012, we announced a reorganization of our operations, designed to streamline management and staff support and reduce our cost structure, while not disrupting our front-line operations. We have implemented the reorganization and for the twelve months ended December 31, 2012, we realized labor and related benefits cost savings of \$20 million.

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The following table summarizes the major components of our selling, general and administrative costs for the years ended December 31 (dollars in millions):

	2012	Period-to-Period Change		2011	Period-to-Period Change		2010
Labor and related benefits	\$ 850	\$(63)	(6.9)%	\$ 913	\$68	8.0%	\$ 845
Professional fees	163	(22)	(11.9)	185	10	5.7	175
Provision for bad debts	60	13	27.7	47	2	4.4	45
Other	399	(7)	(1.7)	406	10	2.5	396
	<u>\$1,472</u>	<u>\$(79)</u>	<u>(5.1)%</u>	<u>\$1,551</u>	<u>\$90</u>	<u>6.2%</u>	<u>\$1,461</u>

Other significant changes in our selling, general and administrative expenses are discussed below:

##*Labor and related benefits* — In 2011, our labor and related benefits costs increased primarily due to higher salaries and hourly wages due to merit increases.

##*Professional fees* — In 2011, we experienced a reduction in legal fees primarily as a result of the settlement in 2010 of a lawsuit related to the abandonment of revenue management software.

##*Provision for bad debts* — Our provision for bad debts increased in 2012, primarily as a result of (i) collection issues we are experiencing in our Puerto Rico operations and (ii) billing delays to some of our strategic account customers.

##*Other* — In 2012, we experienced decreases in (i) litigation settlement costs and (ii) insurance and claims. These decreases were partially offset by increases in (i) computer and telecommunications costs, due in part to improvements we are making to our information technology systems; and (ii) building and equipment costs, which include rental and utilities. In 2011, we experienced similar increases in our computer costs, as well as increases in litigation loss and settlement costs.

Depreciation and Amortization

Depreciation and amortization includes (i) depreciation of property and equipment, including assets recorded for capital leases, on a straight-line basis from three to 50 years; (ii) amortization of landfill costs, including those incurred and all estimated future costs for landfill development, construction and asset retirement costs arising from closure and post-closure, on a units-of-consumption method as landfill airspace is consumed over the total estimated remaining capacity of a site, which includes both permitted capacity and expansion capacity that meets our Company-specific criteria for amortization purposes; (iii) amortization of landfill asset retirement costs arising from final capping obligations on a units-of-consumption method as airspace is consumed over the estimated capacity associated with each final capping event; and (iv) amortization of intangible assets with a definite life, using either a 150% declining balance approach or a straight-line basis over the definitive terms of the related agreements, which are generally from two to ten years depending on the type of asset.

The following table summarizes the components of our depreciation and amortization costs for the years ended December 31 (dollars in millions):

	2012	Period-to-Period Change		2011	Period-to-Period Change		2010
Depreciation of tangible property and equipment	\$ 833	\$33	4.1%	\$ 800	\$19	2.4%	\$ 781
Amortization of landfill airspace	395	17	4.5	378	6	1.6	372
Amortization of intangible assets	69	18	35.3	51	10	24.4	41
	<u>\$1,297</u>	<u>\$68</u>	<u>5.5%</u>	<u>\$1,229</u>	<u>\$35</u>	<u>2.9%</u>	<u>\$1,194</u>

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The increase in amortization of intangible assets in 2012 and 2011 is primarily related to the amortization of customer relationships acquired through our acquisition of Oakleaf and by our Areas located in the Northern U.S.

Restructuring

2012 Restructurings — In July 2012, we announced a reorganization of operations, designed to streamline management and staff support and reduce our cost structure, while not disrupting our front-line operations. Principal organizational changes included removing the management layer of our four geographic Groups, each of which previously constituted a reportable segment, and consolidating and reducing the number of our geographic Areas through which we evaluate and oversee our Solid Waste subsidiaries from 22 to 17. This reorganization eliminated approximately 700 employee positions throughout the Company, including positions at both the management and support level. Voluntary separation arrangements were offered to many in management.

Additionally, in 2012, we recognized employee severance and benefits restructuring charges associated with the reorganization of Oakleaf discussed below that began in 2011 along with certain other actions taken by the Company in early 2012.

During the year ended December 31, 2012, we recognized a total of \$67 million of pre-tax restructuring charges, of which \$56 million were related to employee severance and benefit costs associated with these reorganizations. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized. We do not expect additional charges related to the 2012 restructurings to be material.

2011 Restructurings — Beginning in July 2011, we took steps to streamline our organization as part of our cost savings programs. This reorganization eliminated over 700 employee positions throughout the Company, including approximately 300 open positions. Additionally, subsequent to our acquisition of Oakleaf, we incurred charges in connection with restructuring that organization. During the year ended December 31, 2011, we recognized a total of \$19 million of pre-tax restructuring charges, of which \$18 million were related to employee severance and benefit costs. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

Through December 31, 2012, we have paid approximately \$46 million of the employee severance and benefit costs incurred as a result of the combined 2012 and 2011 restructuring efforts.

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

The following table summarizes the major components of “(Income) expense from divestitures, asset impairments and unusual items” for the year ended December 31 for the respective periods (in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
(Income) expense from divestitures	\$ —	\$ 1	\$ (1)
Asset impairments	83	9	—
Other	—	—	(77)
	<u>\$ 83</u>	<u>\$ 10</u>	<u>\$ (78)</u>

Asset Impairments — During the year ended December 31, 2012, we recognized impairment charges aggregating \$83 million, attributable in large part to \$45 million of charges related to three facilities in our medical waste services business as a result of projected operating losses at each of these facilities. We wrote down the carrying values of the facilities’ operating permits and property, plant and equipment to their estimated fair values. Our medical waste services business is included in our “Other” operations in Note 21. We also recognized (i) \$20 million of charges related to investments we had made in prior years in waste diversion technologies; (ii) \$6 million for the impairment of an oil & gas well due to projected operating losses; (iii) \$5 million for the impairment of a facility not currently used in our operations and (iv) \$4 million of charges to impair goodwill related to certain of our operations. To determine the appropriate charge for each of these items, we estimated the fair value of the facilities or investments using anticipated future cash flows. These charges are included in our “Other” operations in Note 21 to the Consolidated Financial Statements.

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During the year ended December 31, 2011, we recognized impairment charges relating to two facilities in our medical waste services business, in addition to the three facilities impaired in 2012 and discussed above, as a result of the closure of one site and as a result of continuing operating losses at the other site. We wrote down the net book values of the sites to their estimated fair values.

Additionally, we are in the process of evaluating opportunities associated with the sale or discontinued use of underperforming assets or assets that may no longer meet our strategic objectives. Accordingly, it is possible that additional impairments may be recorded as assets are sold or become held-for-sale.

Other — We filed a lawsuit in March 2008 related to the revenue management software implementation that was suspended in 2007 and abandoned in 2009. In April 2010, we settled the lawsuit and received a one-time cash payment. The settlement increased our “Income from operations” for the year ended December 31, 2010 by \$77 million.

Income from Operations

The following table summarizes income from operations for the years ended December 31 (dollars in millions):

	2012		Period-to-Period Change		2011		Period-to-Period Change		2010
Solid Waste	\$2,625	\$ 17	0.7%	\$2,608	\$ 113	4.5%	\$2,495		\$2,495
Wheelabrator	113	(59)	(34.3)	172	(38)	(18.1)	210		210
Other	(242)	(78)	47.6	(164)	(7)	4.5	(157)		(157)
Corporate and other	(645)	(57)	9.7	(588)	(156)	36.1	(432)		(432)
Total	<u>\$1,851</u>	<u>\$(177)</u>	<u>(8.7)%</u>	<u>\$2,028</u>	<u>\$ (88)</u>	<u>(4.2)%</u>	<u>\$2,116</u>		<u>\$2,116</u>

Solid Waste — The most significant items affecting the results of operations of our Solid Waste business during the three year period ended December 31, 2012 are summarized below:

- revenue growth from yield on our base business;

- earnings associated with revenue changes due to volumes declined during 2011 due to the economy, pricing, competition and increased focus on waste reduction and diversion by consumers. Additionally, 2011 volume comparisons with 2010 were unfavorably affected by the 2010 oil spill clean up in the Gulf Coast. For 2012, although volumes decreased in our collection lines of business, there was a slight increase in total volumes attributed in part to (i) an improvement in landfill special waste volumes experienced principally in the eastern and midwestern parts of the country; and (ii) volumes from the Hurricane Sandy cleanup efforts. In addition, our results benefited from the growth of our oilfield services business. These services, which focus principally on the hauling and disposal of drill cuttings and fluids and various well pad services, favorably affected both our landfill and collection lines of business;

- the accretive benefits of recent acquisitions;

- market price declines for recyclable commodities during 2012 when compared with 2011, negatively affecting our income from operations. During 2011, income from operations benefited from substantial increases in market prices;

- restructuring charges recognized during both 2012 and 2011;

- higher operating costs, including maintenance and repair costs in 2012 and 2011 and transfer and disposal costs in 2012;

- benefits realized as a result of our restructuring activities;

- During 2012 and 2011, employees were transferred from Solid Waste to Corporate, favorably impacting income from operations; however, during 2011, annual merit increases for remaining employees more than offset the effect of the transferred employees; and

- decreased incentive compensation expense during 2012.

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Other items affecting the reported periods include:

2012

• a charge of \$10 million for the withdrawal from an underfunded multiemployer pension plan;

• \$6 million of incremental operating expenses due to a labor union dispute in the Seattle Area;

• a charge of \$5 million for a write-down of idle property to estimated fair value;

• a \$5 million increase in bad debt expense due to collection issues in Puerto Rico;

2011

• a charge of \$24 million as a result of a litigation loss;

• higher landfill costs of approximately \$14 million for the collection and disposal of leachate, which was largely the result of heavy rainfall in the Eastern U.S.;

2010

• a charge of \$26 million for the withdrawal from an underfunded multiemployer pension plan; and

• charges of \$23 million related to litigation reserves.

Significant items affecting the comparability of the remaining components of our results of operations for the years ended 2012, 2011 and 2010 are summarized below:

Wheelabrator — The significant decrease in income from operations of our Wheelabrator business for the period ended December 31, 2012 as compared to 2011 was largely driven by (i) lower revenues due to the expiration of long-term contracts at certain of our waste-to-energy facilities; (ii) lower energy pricing at our merchant facilities; (iii) increased maintenance and repair costs, primarily due to differences in the timing and scope of planned maintenance activities; and (iv) increased international development costs.

The decrease in 2011 income from operations as compared with 2010 was driven largely by (i) lower revenues due to the expiration of a long-term electric power capacity agreement that expired December 31, 2010 and the expiration of other long-term contracts at our waste-to-energy and independent power facilities; and (ii) costs incurred to refurbish a facility acquired in 2010. The impact of these unfavorable items was partially offset by efforts to control costs across each of our facilities.

Other — Our “Other” income from operations include (i) the effects of those elements of our in-plant services, landfill gas-to-energy operations, and third-party subcontract and administration revenues managed by our Sustainability Services, Organics, Healthcare, Renewable Energy and Strategic Accounts organizations, including Oakleaf, respectively, that are not included with the operations of our reportable segments; (ii) our recycling brokerage and electronic recycling services; and (iii) the impacts of investments that we are making in expanded service offerings, such as portable self-storage and fluorescent lamp recycling, and in oil and gas producing properties. In addition, our “Other” income from operations reflects the impacts of (i) non-operating entities that provide financial assurance and self-insurance support for the Solid Waste business; and (ii) reclasses to prior year to include the costs of our former geographic Group offices that prior to our 2012 restructuring were included in our operating segments.

Significant items affecting the comparability of expenses for the periods presented include:

• impairment charges of \$77 million recognized during 2012, primarily in (i) our medical waste services business, (ii) investments in waste diversion technologies, and (iii) an oil and gas producing property;

• losses in 2012 and 2011 from our growth initiatives and integration costs associated with the acquisition of Oakleaf;

• restructuring charges recognized during 2012 and 2011; and

• decreased incentive compensation expense during 2012.

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Corporate and Other — Significant items affecting the comparability of expenses for the periods presented include:

- higher salaries and wages due to the transfer of employees from Solid Waste to Corporate and Other in both 2012 and 2011;
- decreased incentive compensation expense during 2012;
- lower non-cash compensation expense attributable to our LTIP during 2012 and higher expense in 2011;
- restructuring charges recognized during 2012 and 2011;
- benefits realized as a result of our July 2012 restructuring activities;
- 2012 headcount increases due to our sales and marketing initiatives and initiatives focusing on procurement and operational and back-office efficiency;
- higher professional fees in 2011 due to consulting services and related fees incurred associated with the startup phase our above-mentioned Company-wide initiatives;
- a benefit in 2010 of \$77 million resulting from a litigation settlement;
- the recognition of a \$9 million favorable adjustment during 2011 and net charges of \$50 million during 2010 for estimates associated with environmental remediation liabilities at certain of our closed sites;
- changes in U.S. Treasury rates used to estimate the present value of our environmental remediation obligations and recovery assets. As a result of changes in U.S. Treasury rates, we recognized \$3 million of unfavorable adjustments during 2012 and \$17 million of unfavorable adjustments during 2011; and
- an increase in 2011 risk management costs, primarily due to increased costs associated with auto and general liability claims and the recognition of a favorable adjustment in 2010 associated with similar claims from prior periods.

Interest Expense

Our interest expense was \$488 million in 2012, \$481 million in 2011 and \$473 million in 2010. During the reported periods, our interest expense has increased only slightly in spite of an increase in our debt balances. This is primarily attributable to (i) a decrease in our weighted average borrowing rate that has been achieved by refinancing debt at maturity with debt at much lower fixed interest rates; (ii) the impacts that lower market interest rates have had on the cost of certain of our tax-exempt debt; and (iii) an increase in capitalized interest due primarily to higher capital spending. These decreases in interest expense have been partially offset by a decrease in the benefits provided by active and terminated interest rate swap agreements.

Equity in Net Losses of Unconsolidated Entities

We recognized “Equity in net losses of unconsolidated entities” of \$46 million in 2012, \$31 million in 2011, and \$21 million in 2010. These losses are primarily related to our noncontrolling interests in two limited liability companies established to invest in and manage low-income housing properties and a refined coal facility, as well as (i) noncontrolling investments made to support our strategic initiatives and (ii) unconsolidated trusts for final capping, closure, post-closure or environmental obligations. The tax impacts realized as a result of our investments in low-income housing properties and the refined coal facility are discussed below in *Provision for Income Taxes*. Refer to Notes 9 and 20 to the Consolidated Financial Statements for more information related to these investments. Additionally, in 2012, we recognized a charge of \$10 million related to a payment we made under a guarantee on behalf of an unconsolidated entity accounted for under the equity method.

Other, net

We recognized other, net expense of \$18 million and \$4 million in 2012 and 2011, respectively, and other, net income of \$5 million in 2010. The increase in expense during 2012 was primarily attributable to an impairment charge of \$16 million relating to an other-than-temporary decline in the value of an investment accounted for under the cost method. We wrote down the carrying value of our investment to its fair value based on other third-party investors’ recent transactions in these securities, which are considered to be the best evidence of fair value currently available.

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Provision for Income Taxes

We recorded provisions for income taxes of \$443 million in 2012, \$511 million in 2011 and \$629 million in 2010. These tax provisions resulted in an effective income tax rate of approximately 34.0%, 33.6% and 38.5%, for 2012, 2011 and 2010, respectively. The comparability of our reported income taxes for the years ended December 31, 2012, 2011 and 2010 is primarily affected by (i) variations in our income before income taxes; (ii) the realization of federal and state net operating loss and credit carry-forwards; (iii) changes in effective state and Canadian statutory tax rates; (iv) tax audit settlements; and (v) the impact of federal low-income housing and refined coal tax credits. The impacts of these items are summarized below:

%%*Federal Net Operating Loss Carry-Forwards* – During 2012 we recognized additional federal net operating loss carry-forwards resulting in a reduction to our provision for income taxes of \$8 million. Refer to the discussion below related to the acquisition of Oakleaf for more information with regard to the realization of Oakleaf net operating losses.

%%*State Net Operating Loss and Credit Carry-forwards* — During 2012, 2011 and 2010, we utilized state net operating loss and credit carry-forwards resulting in a reduction to our provision for income taxes for those periods of \$5 million, \$4 million, and \$4 million, respectively.

%%*State Tax Rate Changes* — During 2011, our state deferred income taxes increased by \$3 million to reflect the impact of changes in the estimated tax rate at which existing temporary differences will be realized. During 2010, our current state tax rate increased from 6.25% to 6.75% resulting in an increase to our provision for income taxes of \$5 million. In addition, our state deferred income taxes increased \$37 million to reflect the impact of changes in the estimated tax rate at which existing temporary differences will be realized.

%%*Canadian Tax Rate Changes* — During 2012 there was an increase of the provincial tax rates in Ontario which resulted in a \$5 million tax expense as a result of the revaluation of the related deferred tax balances.

%%*Tax Audit Settlements* — The settlement of various tax audits resulted in reductions in income tax expense of \$10 million for the year ended December 31, 2012, \$12 million for the year ended December 31, 2011 and \$8 million for the year ended December 31, 2010.

%%*Federal Low-income Housing Tax Credits* — Our federal low-income housing investment and the resulting credits reduced our provision for income taxes by \$38 million for the year ended December 31, 2012, \$38 million for the year ended December 31, 2011 and \$26 million for the year ended December 31, 2010. Refer to Note 9 to the Consolidated Financial Statements for more information related to our federal low-income housing investment.

%%*Refined Coal Investment Tax Credits* — Our refined coal facility investment and the resulting credits reduced our provision for income taxes by \$21 million for the year ended December 31, 2012 and \$17 million for the year ended December 31, 2011. Refer to Note 9 to the Consolidated Financial Statements for more information related to our refined coal investment.

On July 28, 2011, we acquired Oakleaf and its primary operations. As a result of the acquisition, we received income tax attributes (primarily federal and state net operating losses) and allocated a portion of the purchase price to these acquired assets. At the time of the acquisition, we fully recognized all of the tax attributes identified by the seller and concluded the realization of these attributes would not affect our overall provision for income taxes. In the third quarter of 2012, as a result of new information, we recognized a tax benefit of approximately \$8 million related to additional Oakleaf federal net operating losses received in the acquisition. As this time we do not anticipate the remaining tax attributes, when realized, will affect our overall provision for income taxes. While these attributes are not expected to affect our provision for income taxes, they will have a favorable impact on our cash taxes, although we do not anticipate the impact to be material to our overall cash flow from operations.

We expect our 2013 recurring effective tax rate will be approximately 35.0% based on expected income levels, projected federal tax credits and other permanent items.

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The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and includes an extension for one year of the 50% bonus depreciation allowance. The provision specifically applies to qualifying property placed in service before January 1, 2014. The acceleration of deductions on 2012 qualifying capital expenditures resulting from the bonus depreciation provision had no impact on our 2012 effective tax rate. However, the ability to accelerate depreciation deductions decreased our 2012 cash taxes by approximately \$90 million. Taking the accelerated tax depreciation will result in increased cash taxes in subsequent periods when the deductions for these capital expenditures would have otherwise been taken.

Noncontrolling Interests

Net income attributable to noncontrolling interests was \$43 million in 2012, \$48 million in 2011 and \$49 million in 2010. These amounts are principally related to third parties' equity interests in two limited liability companies that own three waste-to-energy facilities operated by our Wheelabrator business. Refer to Note 20 to the Consolidated Financial Statements for information related to the consolidation of these variable interest entities.

Landfill and Environmental Remediation Discussion and Analysis

We owned or operated 264 solid waste and five secure hazardous waste landfills at December 31, 2012 and 266 solid waste and five secure hazardous waste landfills at December 31, 2011. At December 31, 2012 and 2011, the expected remaining capacity, in cubic yards and tonnage of waste that can be accepted at our owned or operated landfills, is shown below (in millions):

	December 31, 2012			December 31, 2011		
	<u>Remaining Permitted Capacity</u>	<u>Expansion Capacity</u>	<u>Total Capacity</u>	<u>Remaining Permitted Capacity</u>	<u>Expansion Capacity</u>	<u>Total Capacity</u>
Remaining cubic yards	4,778	592	5,370	4,730	621	5,351
Remaining tonnage	4,558	612	5,170	4,485	621	5,106

Based on remaining permitted airspace as of December 31, 2012 and projected annual disposal volumes, the weighted average remaining landfill life for all of our owned or operated landfills is approximately 43 years. Many of our landfills have the potential for expanded disposal capacity beyond what is currently permitted. We monitor the availability of permitted disposal capacity at each of our landfills and evaluate whether to pursue an expansion at a given landfill based on estimated future waste volumes and prices, remaining capacity and likelihood of obtaining an expansion permit. We are seeking expansion permits at 32 of our landfills that meet the expansion criteria outlined in the *Critical Accounting Estimates and Assumptions* section above. Although no assurances can be made that all future expansions will be permitted or permitted as designed, the weighted average remaining landfill life for all owned or operated landfills is approximately 49 years when considering remaining permitted airspace, expansion airspace and projected annual disposal volume.

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The number of landfills we own or operate as of December 31, 2012, segregated by their estimated operating lives (in years), based on remaining permitted and expansion airspace and projected annual disposal volume, was as follows:

	<u>0 to 5</u>	<u>6 to 10</u>	<u>11 to 20</u>	<u>21 to 40</u>	<u>41+</u>	<u>Total</u>
Owned	10	10	29	67	95	211
Operated through lease(a)	7	2	5	3	7	24
Operating contracts(b)	10	5	7	5	7	34
Total landfills	<u>27</u>	<u>17</u>	<u>41</u>	<u>75</u>	<u>109</u>	<u>269</u>

- (a) Landfills we operate through lease agreements are similar to landfills we own because we own the landfill's operating permit and will operate the landfill for the entire lease term, which in many cases is the life of the landfill. We are usually responsible for the final capping, closure and post-closure obligations of the landfills we lease.
- (b) For operating contracts, the property owner owns the permit and we operate the landfill for a contracted term, which may be the life of the landfill. However, we are generally responsible for final capping, closure and post-closure obligations under the operating contracts.

The following table reflects landfill capacity and airspace changes, as measured in tons of waste, for landfills owned or operated by us during the years ended December 31, 2012 and 2011 (in millions):

	<u>December 31, 2012</u>			<u>December 31, 2011</u>		
	<u>Remaining Permitted Capacity</u>	<u>Expansion Capacity</u>	<u>Total Capacity</u>	<u>Remaining Permitted Capacity</u>	<u>Expansion Capacity</u>	<u>Total Capacity</u>
Balance, beginning of year	4,485	621	5,106	4,391	603	4,994
Acquisitions, divestitures, newly permitted landfills and closures	82	—	82	—	—	—
Changes in expansions pursued(a)	—	9	9	—	101	101
Expansion permits granted(b)	40	(40)	—	84	(84)	—
Airspace consumed	(92)	—	(92)	(90)	—	(90)
Changes in engineering estimates and other(c)	43	22	65	100	1	101
Balance, end of year	<u>4,558</u>	<u>612</u>	<u>5,170</u>	<u>4,485</u>	<u>621</u>	<u>5,106</u>

- (a) Amounts reflected here relate to the combined impacts of (i) new expansions pursued; (ii) increases or decreases in the airspace being pursued for ongoing expansion efforts; (iii) adjustments for differences between the airspace being pursued and airspace granted and (iv) decreases due to decisions to no longer pursue expansion permits.
- (b) We received expansion permits at six of our landfills during 2012 and eight of our landfills during 2011, demonstrating our continued success in working with municipalities and regulatory agencies to expand the disposal capacity of our existing landfills.
- (c) Changes in engineering estimates can result in changes to the estimated available remaining capacity of a landfill or changes in the utilization of such landfill capacity, affecting the number of tons that can be placed in the future. Estimates of the amount of waste that can be placed in the future are reviewed annually by our engineers and are based on a number of factors, including standard engineering techniques and site-specific factors such as current and projected mix of waste type; initial and projected waste density; estimated number of years of life remaining; depth of underlying waste; anticipated access to moisture through precipitation or recirculation of landfill leachate; and operating practices. We continually focus on improving the utilization of airspace through efforts that include recirculating landfill leachate where allowed by permit; optimizing the placement of daily cover materials; and increasing initial compaction through improved landfill equipment, operations and training.

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The tons received at our landfills in 2012 and 2011 are shown below (tons in thousands):

	2012			2011		
	<u># of Sites</u>	<u>Total Tons</u>	<u>Tons per Day</u>	<u># of Sites</u>	<u>Total Tons</u>	<u>Tons per Day</u>
Solid waste landfills	264(a)	92,393	338	266	91,130	334
Hazardous waste landfills	5	640	2	5	599	2
	269	93,033	340	271	91,729	336
Solid waste landfills closed or divested during related year	1	189		1	49	
		<u>93,222(b)</u>			<u>91,778(b)</u>	

- (a) In 2012, we acquired one landfill, closed one landfill and our contract expired at one landfill. In addition, we have one landfill that will not be developed.
- (b) These amounts include 1.3 million tons at December 31, 2012 and 1.4 million tons at December 31, 2011 that were received at our landfills but were used for beneficial purposes and generally were redirected from the permitted airspace to other areas of the landfill. Waste types that are frequently identified for beneficial use include green waste for composting and clean dirt for on-site construction projects.

When a landfill we own or operate receives certification of closure from the applicable regulatory agency, we generally transfer the management of the site, including any remediation activities, to our closed sites management group. As of December 31, 2012, our closed sites management group managed 211 closed landfills.

Landfill Assets — We capitalize various costs that we incur to prepare a landfill to accept waste. These costs generally include expenditures for land (including the landfill footprint and required landfill buffer property), permitting, excavation, liner material and installation, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized interest, and on-site road construction and other capital infrastructure costs. The cost basis of our landfill assets also includes estimates of future costs associated with landfill final capping, closure and post-closure activities, which are discussed further below.

The following table reflects the total cost basis of our landfill assets and accumulated landfill airspace amortization as of December 31, 2012 and 2011, and summarizes significant changes in these amounts during 2012 (in millions):

	<u>Cost Basis of Landfill Assets</u>	<u>Accumulated Landfill Airspace Amortization</u>	<u>Landfill Assets</u>
December 31, 2011	\$ 12,940	\$ (6,931)	\$ 6,009
Capital additions	378	—	378
Asset retirement obligations incurred and capitalized	58	—	58
Acquisitions	10	—	10
Amortization of landfill airspace	—	(395)	(395)
Foreign currency translation	38	(11)	27
Asset retirements and other adjustments	(158)	149	(9)
December 31, 2012	<u>\$ 13,266</u>	<u>\$ (7,188)</u>	<u>\$ 6,078</u>

As of December 31, 2012, we estimate that we will spend approximately \$500 million in 2013, and approximately \$900 million in 2014 and 2015 combined, for the construction and development of our landfill assets. The specific timing of landfill capital spending is dependent on future events, and spending estimates are subject to change due to fluctuations in landfill waste volumes, changes in environmental requirements and other factors impacting landfill operations.

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Landfill and Environmental Remediation Liabilities — As we accept waste at our landfills, we incur significant asset retirement obligations, which include liabilities associated with landfill final capping, closure and post-closure activities. These liabilities are accounted for in accordance with authoritative guidance associated with accounting for asset retirement obligations and are discussed in Note 3 of our Consolidated Financial Statements. We also have liabilities for the remediation of properties that have incurred environmental damage, which generally was caused by operations or for damage caused by conditions that existed before we acquired operations or a site. We recognize environmental remediation liabilities when we determine that the liability is probable and the estimated cost for the likely remedy can be reasonably estimated.

The following table reflects our landfill liabilities and our environmental remediation liabilities as of December 31, 2012 and 2011, and summarizes significant changes in these amounts during 2012 (in millions):

	<u>Landfill</u>	<u>Environmental Remediation</u>
December 31, 2011	\$1,292	\$ 273
Obligations incurred and capitalized	58	—
Obligations settled	(87)	(30)
Interest accretion	84	4
Revisions in cost estimates and interest rate assumptions	(8)	5
Acquisitions, divestitures and other adjustments	(1)	1
December 31, 2012	<u>\$1,338</u>	<u>\$ 253</u>

Landfill Costs and Expenses — As disclosed in the *Operating Expenses* section above, our landfill operating costs include interest accretion on asset retirement obligations, interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets, leachate and methane collection and treatment, landfill remediation costs, and other landfill site costs. The following table summarizes these costs for each of the three years indicated (in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Interest accretion on landfill liabilities	\$ 84	\$ 84	\$ 82
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	6	23	8
Leachate and methane collection and treatment	67	76	64
Landfill remediation costs	—	—	63
Other landfill site costs	67	72	77
Total landfill operating costs	<u>\$ 224</u>	<u>\$ 255</u>	<u>\$ 294</u>

The comparison of these costs for the reported periods has been significantly affected by accounting for changes in the risk-free discount rate that we use to estimate the present value of our environmental remediation liabilities and environmental remediation recovery assets, which is based on the rate for U.S. Treasury bonds with a term approximating the weighted-average period until settlement of the underlying obligations. Additionally, in 2010, we increased our cost estimates associated with environmental remediation obligations primarily based on a review and evaluation of existing remediation projects. As these remediation projects progressed, more defined plans were developed, resulting in a net increase in remediation expense to reflect the more likely remedies. In both 2012 and 2011, we had favorable revisions to environmental remediation liabilities at closed sites based on the estimated cost of the remediation alternatives prescribed by regulators.

Amortization of landfill airspace, which is included as a component of “Depreciation and amortization” expense, includes the following:

- the amortization of landfill capital costs, including (i) costs that have been incurred and capitalized and (ii) estimated future costs for landfill development and construction required to develop our landfills to their remaining permitted and expansion airspace; and

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the amortization of asset retirement costs arising from final landfill capping, closure and post-closure obligations, including (i) costs that have been incurred and capitalized and (ii) projected asset retirement costs.

Amortization expense is recorded on a units-of-consumption basis, applying cost as a rate per ton. The rate per ton is calculated by dividing each component of the amortizable basis of a landfill by the number of tons needed to fill the corresponding asset's airspace. Landfill capital costs and closure and post-closure asset retirement costs are generally incurred to support the operation of the landfill over its entire operating life and are, therefore, amortized on a per-ton basis using a landfill's total airspace capacity. Final capping asset retirement costs are related to a specific final capping event and are, therefore, amortized on a per-ton basis using each discrete final capping event's estimated airspace capacity. Accordingly, each landfill has multiple per-ton amortization rates.

The following table presents our landfill airspace amortization expense on a per-ton basis:

	Years Ended December 31,		
	2012	2011	2010
Amortization of landfill airspace (in millions)	\$ 395	\$ 378	\$ 372
Tons received, net of redirected waste (in millions)	92	90	91
Average landfill airspace amortization expense per ton	\$4.30	\$4.19	\$4.08

Different per-ton amortization rates are applied at each of our 269 landfills, and per-ton amortization rates vary significantly from one landfill to another due to (i) inconsistencies that often exist in construction costs and provincial, state and local regulatory requirements for landfill development and landfill final capping, closure and post-closure activities; and (ii) differences in the cost basis of landfills that we develop versus those that we acquire. Accordingly, our landfill airspace amortization expense measured on a per-ton basis can fluctuate due to changes in the mix of volumes we receive across the Company year-over-year. The comparability of our total Company average landfill airspace amortization expense per ton for the years ended December 31, 2012, 2011 and 2010 has also been affected by (i) increased landfill development and environmental costs; and (ii) the recognition of reductions to amortization expense for changes in our estimates related to our final capping, closure and post-closure obligations. Landfill amortization expense was reduced by \$3 million in 2012, \$11 million in 2011 and \$13 million in 2010, for the effects of these changes in estimates. In each year, the majority of the reduced expense resulted from revisions in the estimated timing or cost of final capping events that were generally the result of (i) concerted efforts to improve the operating efficiencies of our landfills and volume declines, both of which have allowed us to delay spending for final capping activities; (ii) effectively managing the cost of final capping material and construction; or (iii) landfill expansions that resulted in reduced or deferred final capping costs.

Liquidity and Capital Resources

We continually monitor our actual and forecasted cash flows, our liquidity and our capital resources, enabling us to plan for our present needs and fund unbudgeted business activities that may arise during the year as a result of changing business conditions or new opportunities. In addition to our working capital needs for the general and administrative costs of our ongoing operations, we have cash requirements for: (i) the construction and expansion of our landfills; (ii) additions to and maintenance of our trucking fleet and landfill equipment; (iii) construction, refurbishments and improvements at waste-to-energy and materials recovery facilities; (iv) the container and equipment needs of our operations; (v) final capping, closure and post-closure activities at our landfills; (vi) the repayment of debt and discharging of other obligations; and (vii) capital expenditures, acquisitions and investments in support of our strategic growth plans. We also are committed to providing our shareholders with a return on their investment through dividend payments, and we have also returned value to shareholders through share repurchases.

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

The following is a summary of our cash and cash equivalents, restricted trust and escrow accounts and debt balances as of December 31, 2012 and 2011 (in millions):

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	<u>\$ 194</u>	<u>\$ 258</u>
Restricted trust and escrow accounts:		
Final capping, closure, post-closure and environmental remediation funds	\$ 122	\$ 123
Tax-exempt bond funds	1	14
Other	15	15
Total restricted trust and escrow accounts	<u>\$ 138</u>	<u>\$ 152</u>
Debt:		
Current portion	\$ 743	\$ 631
Long-term portion	<u>9,173</u>	<u>9,125</u>
Total debt	<u>\$9,916</u>	<u>\$9,756</u>
Increase in carrying value of debt due to hedge accounting for interest rate swaps	<u>\$ 79</u>	<u>\$ 102</u>

Cash and cash equivalents — Cash and cash equivalents consist primarily of cash on deposit and money market funds that invest in U.S. government obligations with original maturities of three months or less. Our cash and cash equivalents have decreased as a result of the execution of our strategic growth plans, which has increased our level of capital spending, acquisitions and investments.

Restricted trust and escrow accounts — Restricted trust and escrow accounts consist primarily of funds deposited for purposes of settling landfill final capping, closure, post-closure and environmental remediation obligations. These balances are primarily included within long-term “Other assets” in our Consolidated Balance Sheets.

Debt — We use long-term borrowings in addition to the cash we generate from operations as part of our overall financial strategy to support and grow our business. We primarily use senior notes and tax-exempt bonds to borrow on a long-term basis, but we also use other instruments and facilities when appropriate. The components of our long-term borrowings as of December 31, 2012 are described in Note 7 to the Consolidated Financial Statements.

Changes in our outstanding debt balances from December 31, 2011 to December 31, 2012 were primarily attributable to (i) net debt borrowings of \$122 million and (ii) the impacts of accounting for other non-cash changes in our debt balances due to hedge accounting for interest rate swaps, foreign currency translation, interest accretion and capital leases.

As of December 31, 2012, we had (i) \$688 million of debt maturing within twelve months, including \$400 million of borrowings outstanding under our revolving credit facility, U.S.\$75 million of advances outstanding under our Canadian credit facility, \$161 million of tax-exempt bonds and (ii) \$475 million of tax-exempt borrowings subject to repricing within the next twelve months. Based on our intent and ability to refinance a portion of this debt on a long-term basis as of December 31, 2012, we have classified \$420 million of this debt as long-term and the remaining \$743 million as current obligations.

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We have credit facilities in place to support our liquidity and financial assurance needs. The following table summarizes our outstanding letters of credit (in millions) at December 31, categorized by type of facility:

	<u>2012</u>	<u>2011</u>
Revolving credit facility(a)	\$ 933	\$1,012
Letter of credit facilities(b)	492	502
Other(c)	257	251
	<u>\$1,682</u>	<u>\$1,765</u>

- (a) In May 2011, we amended and restated our \$2.0 billion revolving credit facility as a result of changes in market conditions, which significantly reduced the cost of the facility. We also extended the term through May 2016. At December 31, 2012, we had \$400 million of outstanding borrowings and \$933 million of letters of credit issued and supported by the facility, leaving an unused and available credit capacity of \$667 million.
- (b) As of December 31, 2012, we had an aggregate committed capacity of \$505 million under letter of credit facilities with terms that extend from June 2013 to June 2015. As of December 31, 2012, no borrowings were outstanding under these letter of credit facilities, and we had \$13 million of unused or available credit capacity.
- (c) These letters of credit are outstanding under various arrangements that do not obligate the counterparty to provide a committed capacity.

Summary of Cash Flow Activity

The following is a summary of our cash flows for the years ended December 31 (in millions):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net cash provided by operating activities	\$ 2,295	\$ 2,469	\$ 2,275
Net cash used in investing activities	\$(1,830)	\$(2,185)	\$(1,606)
Net cash used in financing activities	\$ (530)	\$ (566)	\$(1,273)

Net Cash Provided by Operating Activities — The most significant items affecting the comparison of our operating cash flows in 2012 as compared with 2011 are summarized below:

• *Decrease in earnings* — Our income from operations, excluding depreciation and amortization, decreased by \$109 million, on a year-over-year basis. Included in the \$109 million decrease are the following items:

• higher charges in 2012 related to impairments and restructuring costs of \$89 million and \$48 million, respectively;

• lower non-cash charges attributable to equity-based compensation expense and interest accretion and discount rate adjustments on environmental remediation liabilities and recovery assets of \$16 million and \$17 million, respectively; and

• lower bonus expense of approximately \$90 million in 2012 when compared with 2011.

• *Increased income tax payments* — Cash paid for income taxes, net of excess tax benefits associated with equity-based transactions, was approximately \$63 million higher on a year-over-year basis as a result of the decrease in the bonus depreciation allowance from a deduction of 100% of qualifying capital expenditures for property placed in service in 2011 to a deduction of 50% of qualifying capital expenditures for property placed in service in 2012. See *Liquidity Impacts of Income Tax Items* below for additional information.

• *Forward starting swaps* — During the first quarter of 2011 and the third quarter of 2012, the forward-starting interest rate swaps associated with anticipated fixed-rate debt issuances were terminated

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contemporaneously with the actual issuance of senior notes in February 2011 and September 2012, and we paid cash of \$9 million and \$59 million, respectively, to settle the liabilities related to these swap agreements. These cash payments have been classified as a change in “Accounts payable and accrued liabilities” within “Net cash provided by operating activities” in the Consolidated Statement of Cash Flows.

##Termination of interest rate swaps — In April 2012, we elected to terminate our \$1 billion interest rate swap portfolio associated with senior notes that were scheduled to mature from November 2012 through March 2018. Upon termination of the swaps, we received \$72 million in cash for their fair value. The cash proceeds received from the termination of interest rate swap agreements have been classified as a change in “Other assets” within “Net cash provided by operating activities” in the Consolidated Statement of Cash Flows.

##Changes in assets and liabilities, net of effects from business acquisitions and divestitures — Our cash flow from operations was unfavorably impacted in 2012 by changes in our working capital accounts. Although our working capital changes may vary from year to year, they are typically driven by changes in accounts receivable, which are affected by both revenue changes and timing of payments received, and accounts payable changes, which are affected by both cost changes and timing of payments.

The most significant items affecting the comparison of our operating cash flows for 2011 and 2010 are summarized below:

##Decreased income tax payments — Cash paid for income taxes, net of excess tax benefits, was approximately \$242 million lower in 2011 due in large part to the extension of the bonus depreciation legislation. The ability to accelerate depreciation deductions decreased our full year 2011 cash taxes by approximately \$175 million. Also contributing to the decrease in cash paid for taxes in 2011 was an increase in federal tax credits provided by our investments in two unconsolidated entities. These investments are discussed in Note 9 and Note 20 of the Consolidated Financial Statements.

##2010 Non-recurring cash inflows — Two significant cash transactions benefited cash provided by operating activities for the year ended December 31, 2010. In the second quarter of 2010, we received \$77 million for a litigation settlement, and in the third quarter of 2010, we received a \$65 million federal tax refund related to the liquidation of a foreign subsidiary in 2009.

##Settlement of Canadian hedge — In December 2010, our previously existing foreign currency hedges matured and we paid cash of \$37 million upon settlement. The cash payment from the settlement was classified as a change in accrued liabilities within “Net cash provided by operating activities” in the Consolidated Statement of Cash Flows.

##Changes in assets and liabilities, net of effects from business acquisitions and divestitures — Our cash flow from operations was favorably impacted in 2011 by changes in our working capital accounts. Although our working capital changes may vary from year to year, they are typically driven by changes in accounts receivable, which are affected by both revenue changes and timing of payments received, and accounts payable changes, which are affected by both cost changes and timing of payments.

Net Cash Used in Investing Activities — The most significant items affecting the comparison of our investing cash flows for the periods presented are summarized below:

##Capital expenditures — We used \$1,510 million during 2012 for capital expenditures, compared with \$1,324 million in 2011 and \$1,104 million in 2010. The increase in capital expenditures in 2012 and 2011 is a result of our increased spending on compressed natural gas vehicles, related fueling infrastructure, and information technology infrastructure and growth initiatives, as well as our taking advantage of the bonus depreciation legislation. The year-over-year comparison of 2012 with 2011 was also affected by timing differences associated with cash payments for the previous years’ fourth quarter capital spending. Approximately \$244 million of our fourth quarter 2011 spending was paid in cash in the first quarter of 2012 compared with approximately \$206 million of our fourth quarter 2010 spending that was paid in the first quarter of 2011.

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Acquisitions — Our spending on acquisitions was \$250 million in 2012 compared with \$867 million in 2011 and \$407 million in 2010. In 2012, our acquisitions consisted primarily of interests in oil and gas producing properties acquired through two transactions, for which we paid \$94 million. See Note 19 to the Consolidated Financial Statements for additional information related to our acquisitions. In 2011, we paid \$432 million, net of cash received of \$4 million and inclusive of certain adjustments, to acquire Oakleaf, which provides outsourced waste and recycling services. In 2010, we paid approximately \$150 million to acquire a waste-to-energy facility in Portsmouth, Virginia. We continue to focus on accretive acquisitions and growth opportunities that will enhance and expand our existing service offerings.

Investments in unconsolidated entities — We made \$77 million of cash investments in unconsolidated entities during 2012 primarily related to furthering our goal of expanding our service offerings and developing waste diversion technologies.

We made \$155 million of cash investments in unconsolidated entities during 2011. These investments included a \$48 million payment made to acquire a noncontrolling interest in a limited liability company, which was established to invest in and manage a refined coal facility in North Dakota, and \$107 million of investments primarily related to furthering our goal of growing into new markets by investing in greener technologies.

We made \$173 million of cash investments in unconsolidated entities during 2010. These cash investments were primarily related to a \$142 million payment made to acquire a 40% equity investment in SEG, a subsidiary of Shanghai Chengtong Holding Co., Ltd. As a joint venture partner in SEG, we participate in the operation and management of waste-to-energy and other waste services in the Chinese market. SEG's focus also includes building new waste-to-energy facilities in China.

Net receipts from restricted funds — Net cash received from our restricted trust and escrow accounts, which are largely generated from the issuance of tax-exempt bonds for our capital needs, contributed \$14 million to our investing activities in 2012 compared with \$107 million in 2011 and \$48 million in 2010. The significant decrease in cash received from our restricted trust and escrow accounts during 2012 and 2010 was due to a decrease in tax-exempt borrowings.

Other — Net cash used by our other investing activities of \$51 million during 2012 was primarily associated with the funding of notes receivable associated with our Wheelabrator's investments in Europe. Net cash provided by our other investing activities of \$18 million during 2011 was primarily related to the receipt of a payment of \$17 million associated with a note receivable from a prior year divestiture.

Net Cash Used in Financing Activities — The most significant items affecting the comparison of our financing cash flows for the periods presented are summarized below:

Share repurchases and dividend payments — For the periods presented, all share repurchases and dividend payments have been approved by our Board of Directors.

We paid an aggregate of \$658 million in cash dividends during 2012, compared with \$637 million in 2011 and \$604 million in 2010. The increase in dividend payments is due to our quarterly per share dividend increasing from \$0.315 in 2010, to \$0.34 in 2011, and to \$0.355 in 2012 and has been offset, in part, by a reduction in our common stock outstanding during 2010 and 2011 as a result of our share repurchase programs.

We paid \$575 million for share repurchases in 2011 compared with \$501 million in 2010. We repurchased approximately 17 million and 15 million shares of our common stock in 2011 and 2010, respectively. We did not repurchase any shares during 2012.

In December 2012, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.355 to \$0.365 per share for dividends declared in 2013. However, all future dividend declarations are at the discretion of the Board of Directors, and depend on various factors, including our net earnings, financial condition, cash required for future business plans and other factors the Board of Directors may deem relevant. Additionally, the Board of Directors authorized up to \$500 million in share repurchases in

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connection with the 2013 financial plan. Any future share repurchases will be made at the discretion of management and will depend on factors similar to those considered by the Board of Directors in making dividend declarations.

##*Proceeds from the exercise of common stock options* — The exercise of common stock options and the related excess tax benefits generated a total of \$43 million of financing cash inflows during 2012 compared with \$45 million during 2011 and \$54 million during 2010.

##*Net debt borrowings (repayments)* — Net debt borrowings were \$122 million and \$698 million in 2012 and 2011, respectively, and net debt repayments were \$204 million in 2010. The following summarizes our cash borrowings and debt repayments made during each year (in millions):

	Years Ended December 31,		
	2012	2011	2010
<i>Borrowings :</i>			
Revolving credit facility(a)	\$ 400	\$ 150	\$ —
Canadian credit facility(a)	189	137	316
Senior notes	495	893	592
Capital leases and other	96	21	—
	<u>\$ 1,180</u>	<u>\$ 1,201</u>	<u>\$ 908</u>
<i>Repayments :</i>			
Revolving credit facility(a)	\$ (150)	\$ —	\$ —
Canadian credit facility(a)	(257)	(214)	(372)
Senior notes	(400)	(147)	(600)
Tax-exempt bonds	(129)	(55)	(91)
Capital leases and other debt	(122)	(87)	(49)
	<u>\$(1,058)</u>	<u>\$ (503)</u>	<u>\$(1,112)</u>
<i>Net borrowings (repayments)</i>	<u>\$ 122</u>	<u>\$ 698</u>	<u>\$ (204)</u>

- (a) Due to the short-term maturities of the borrowings under these credit facilities, we have reported certain of these cash flows on a net basis.

During 2012, we did not have any significant non-cash activities. For the year ended December 31, 2011, non-cash activities included proceeds from tax-exempt borrowings, net of principal payments made directly from trust funds, of \$100 million. During the year ended December 31, 2010, we did not have any tax-exempt bond financings; however, we did have a \$215 million non-cash increase in our debt obligations as a result of the issuance of a note payable in return for a noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties. This investment is discussed in detail in Note 9 to the Consolidated Financial Statements.

##*Other* — Net cash used in other financing activities was \$2 million and \$46 million in 2012 and 2011, respectively, while net cash provided by other financing activities was \$18 million in 2010. These activities are primarily attributable to changes in our accrued liabilities for checks written in excess of cash balances due to the timing of cash deposits or payments. During 2011, the cash used for these activities included \$7 million of financing costs paid in May to amend and restate our \$2.0 billion revolving credit facility. The cash provided by changes in our accrued liabilities for checks written in excess of cash balances in 2010 was offset, in part, by \$13 million of financing costs paid in June to initially execute our \$2.0 billion revolving credit facility.

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Summary of Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2012 and the anticipated effect of these obligations on our liquidity in future years (in millions):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>	<u>Total</u>
Recorded Obligations :							
Expected environmental liabilities(a)							
Final capping, closure and post-closure	\$ 102	\$ 95	\$114	\$112	\$ 93	\$ 2,041	\$ 2,557
Environmental remediation	28	20	29	25	13	127	242
	<u>130</u>	<u>115</u>	<u>143</u>	<u>137</u>	<u>106</u>	<u>2,168</u>	<u>2,799</u>
Debt payments(b),(c),(d)	695	468	462	728	281	7,210	9,844
Unrecorded Obligations:(e)							
Non-cancelable operating lease obligations	106	92	78	61	54	465	856
Estimated unconditional purchase obligations(f)	<u>135</u>	<u>83</u>	<u>43</u>	<u>24</u>	<u>16</u>	<u>230</u>	<u>531</u>
Anticipated liquidity impact as of December 31, 2012	<u>\$1,066</u>	<u>\$758</u>	<u>\$726</u>	<u>\$950</u>	<u>\$457</u>	<u>\$ 10,073</u>	<u>\$14,030</u>

- (a) Environmental liabilities include final capping, closure, post-closure and environmental remediation costs. The amounts included here reflect environmental liabilities recorded in our Consolidated Balance Sheet as of December 31, 2012 without the impact of discounting and inflation. Our recorded environmental liabilities for final capping, closure and post-closure will increase as we continue to place additional tons within the permitted airspace at our landfills.
- (b) The amounts reported here represent the scheduled principal payments related to our long-term debt, excluding related interest. Refer to Note 7 to the Consolidated Financial Statements for information regarding interest rates.
- (c) Our debt obligations as of December 31, 2012 include \$475 million of tax-exempt bonds subject to re-pricing within the next twelve months, which is prior to their scheduled maturities. If the re-offerings of the bonds are unsuccessful, then the bonds can be put to us, requiring immediate repayment. We have classified the anticipated cash flows for these contractual obligations based on the scheduled maturity of the borrowing for purposes of this disclosure. For additional information regarding the classification of these borrowings in our Consolidated Balance Sheet as of December 31, 2012, refer to Note 7 to the Consolidated Financial Statements.
- (d) Our recorded debt obligations include non-cash adjustments associated with discounts, premiums and fair value adjustments for interest rate hedging activities. These amounts have been excluded here because they will not result in an impact to our liquidity in future periods.
- (e) Our unrecorded obligations represent operating lease obligations and purchase commitments from which we expect to realize an economic benefit in future periods. We have also made certain guarantees, as discussed in Note 11 to the Consolidated Financial Statements, that we do not expect to materially affect our current or future financial position, results of operations or liquidity.
- (f) Our unconditional purchase obligations are for various contractual obligations that we generally incur in the ordinary course of our business. Certain of our obligations are quantity driven. For contracts that require us to purchase minimum quantities of goods or services, we have estimated our future minimum obligations based on the current market values of the underlying products or services. Accordingly, the amounts reported in the table are not necessarily indicative of our actual cash flow obligations. See Note 11 to the Consolidated Financial Statements for discussion of the nature and terms of our unconditional purchase obligations.

Table of Contents***Liquidity Impacts of Income Tax Items***

Recent Legislation — The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and included an extension for one year of the 50% bonus depreciation allowance. The provision specifically applies to qualifying property placed in service before January 1, 2014. The acceleration of deductions on capital expenditures resulting from the bonus depreciation provisions has no impact on our effective tax rate, but reduces our cash taxes in the periods in which the deductions are taken.

The acceleration of depreciation deductions related to qualifying property additions in 2012 decreased our full year 2012 cash taxes by approximately \$90 million and, based on our current forecast of 2013 capital expenditures, we estimate an additional reduction in our full year 2013 cash taxes of approximately \$90 million related to qualifying property additions in 2013. However, taking accelerated deductions results in increased cash taxes in subsequent periods when the deductions for these capital expenditures would have otherwise been taken. On a net basis, after taking into account the effect of all applicable years' bonus depreciation programs, the deductions taken in previous years from acceleration programs more than offset the benefits received in 2012 and expected to be received in 2013. Our full year tax payments were approximately \$60 million higher in 2012 compared with 2011.

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 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 we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. We anticipate that approximately \$14 million of liabilities for uncertain tax positions, including accrued interest, and \$3 million of related deferred tax assets may be reversed within the next twelve months. The anticipated reversals are related to state tax items, none of which are material, and are expected to result from audit settlements or the expiration of the applicable statute of limitations period. In addition, there are federal items related to the tax implications of the book impairments discussed in Note 13 that also are anticipated to reverse within the next 12 months.

Off-Balance Sheet Arrangements

We have financial interests in unconsolidated variable interest entities as discussed in Note 20 to the Consolidated Financial Statements. Additionally, we are party to guarantee arrangements with unconsolidated entities as discussed in the *Guarantees* section of Note 11 to the Consolidated Financial Statements. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2012, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

Inflation

While inflationary increases in costs, including the cost of diesel fuel, have affected our operating margins in recent years, 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, as of December 31, 2012, over 20% of our collection revenues are generated under long-term agreements with price adjustments based on various indices intended to measure inflation. Additionally, management's estimates associated with inflation have had, and will continue to have, an impact on our accounting for landfill and environmental remediation liabilities.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

In the normal course of business, we are exposed to market risks, including changes in interest rates, Canadian currency rates and certain commodity prices. From time to time, we use derivatives to manage some portion of these risks. Our derivatives are agreements with independent counterparties that provide for payments based on a notional amount. As of December 31, 2012, all of our derivative transactions were related to actual or anticipated economic exposures. We are exposed to credit risk in the event of non-performance by our derivative counterparties. However, we monitor our derivative positions by regularly evaluating our positions and the creditworthiness of the counterparties.

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Interest Rate Exposure — Our exposure to market risk for changes in interest rates relates primarily to our financing activities, although our interest costs can also be significantly affected by our on-going financial assurance needs, which are discussed in the *Financial Assurance and Insurance Obligations* section of Item 1.

As of December 31, 2012, we had \$9.9 billion of long-term debt when excluding the impacts of accounting for fair value adjustments attributable to interest rate derivatives, discounts and premiums. The effective interest rates of approximately \$1.5 billion of our outstanding debt obligations are subject to change during 2013. The most significant components of our variable-rate debt obligations are (i) \$587 million of tax-exempt bonds that are subject to repricing on either a daily or weekly basis through a remarketing process; (ii) \$475 million of tax-exempt bonds with term interest rate periods that are subject to repricing within twelve months; (iii) \$400 million of borrowings outstanding under our \$2.0 billion revolving credit facility; and (iv) U.S.\$75 million of outstanding advances under our Canadian Credit Facility. We currently estimate that a 100 basis point increase in the interest rates of our outstanding variable-rate debt obligations would increase our 2013 interest expense by approximately \$13 million. As of December 31, 2011, the effective interest rates of approximately \$2.2 billion of our outstanding debt obligations were subject to change within twelve months.

Our remaining outstanding debt obligations have fixed interest rates through either the scheduled maturity of the debt or, for certain of our “fixed-rate” tax exempt bonds, through the end of a term interest rate period that exceeds twelve months. In addition, at December 31, 2012, we had forward-starting interest rate swaps with a notional amount of \$175 million. The fair value of our fixed-rate debt obligations and various interest rate derivative instruments can increase or decrease significantly if market interest rates change.

We have performed sensitivity analyses to determine how market rate changes might affect the fair value of our market risk-sensitive derivatives and related positions. These analyses are inherently limited because they reflect a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. An instantaneous, one percentage point increase in interest rates across all maturities and applicable yield curves attributable to these instruments would have decreased the fair value of our combined debt and interest rate derivative positions by approximately \$800 million at December 31, 2012.

We are also exposed to interest rate market risk because we have significant cash and cash equivalent balances as well as assets held in restricted trust funds and escrow accounts. These assets are generally invested in high quality, liquid instruments including money market funds that invest in U.S. government obligations with original maturities of three months or less. Because of the short terms to maturity of these investments, we believe that our exposure to changes in fair value due to interest rate fluctuations is insignificant.

Commodity Price Exposure — In the normal course of our business, we are subject to operating agreements that expose us to market risks arising from changes in the prices for commodities such as diesel fuel; recyclable materials, including old corrugated cardboard, old newsprint and plastics; and electricity, which generally correlates with natural gas prices in many of the markets in which we operate. With the exception of electricity commodity derivatives, which are discussed below, we generally have not entered into derivatives to hedge the risks associated with changes in the market prices of these commodities during the three years ended December 31, 2012. Alternatively, we attempt to manage these risks through operational strategies that focus on capturing our costs in the prices we charge our customers for the services provided. Accordingly, as the market prices for these commodities increase or decrease, our revenues also increase or decrease.

During 2012, approximately 56% of the electricity revenue at our waste-to-energy facilities was subject to current market rates, and we currently expect that nearly 56% of our electricity revenues at our waste-to-energy facilities will be at market rates by the end of 2013. Our exposure to variability associated with changes in market prices for electricity has increased over the last few years as long-term power purchase agreements have expired. The energy markets have changed significantly since the expiring contracts were executed and we have found that the current market structure does not support medium- and long-term electricity contracts. As we renegotiate our power-purchase agreements, we expect that a more substantial portion of our energy sales at our waste-to-energy facilities will be based on variable market rates. Accordingly, in 2010, we implemented a more actively managed energy program, which includes a hedging strategy intended to decrease the exposure of our revenues to volatility due to market prices for electricity. Refer to Note 8 of the Consolidated Financial Statements for additional information regarding our electricity commodity derivatives.

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Currency Rate Exposure — We have operations in Canada and investments in China and the United Kingdom. From time to time, we use currency derivatives to mitigate the impact of currency translation on cash flows of intercompany Canadian-currency denominated debt transactions. Our foreign currency derivatives have not materially affected our financial position or results of operations for the periods presented. In addition, while changes in foreign currency exchange rates could significantly affect the fair value of our foreign currency derivatives, we believe these changes in fair value would not have a material impact to the Company. Refer to Note 8 of the Consolidated Financial Statements for additional information regarding our foreign currency derivatives. The foreign currency exposure associated with our investments in China and the United Kingdom has not been material.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company, including the principal executive and financial officers, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Our internal controls are designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

- i. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of our internal control over financial reporting as of December 31, 2012 based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting has been audited by Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements, as stated in their report which is included herein.

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Waste Management, Inc.

We have audited Waste Management, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Waste Management, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Waste Management, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Waste Management, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2012, and our report dated February 14, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 14, 2013

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Waste Management, Inc.

We have audited the accompanying consolidated balance sheets of Waste Management, Inc. (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Waste Management, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2010, the Company adopted certain provisions of ASC Topic 810, "Consolidation" related to the consolidation of variable interest entities.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Waste Management, Inc.'s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 14, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 14, 2013

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WASTE MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS
(In Millions, Except Share and Par Value Amounts)

	December 31,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 194	\$ 258
Accounts receivable, net of allowance for doubtful accounts of \$45 and \$29, respectively	1,737	1,631
Other receivables	102	144
Parts and supplies	174	153
Deferred income taxes	76	78
Other assets	140	115
Total current assets	2,423	2,379
Property and equipment, net of accumulated depreciation and amortization of \$16,112 and \$15,308, respectively	12,651	12,242
Goodwill	6,291	6,215
Other intangible assets, net	397	457
Investments in unconsolidated entities	667	637
Other assets	668	639
Total assets	\$23,097	\$22,569
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 842	\$ 838
Accrued liabilities	986	1,129
Deferred revenues	465	470
Current portion of long-term debt	743	631
Total current liabilities	3,036	3,068
Long-term debt, less current portion	9,173	9,125
Deferred income taxes	1,947	1,884
Landfill and environmental remediation liabilities	1,459	1,404
Other liabilities	807	698
Total liabilities	16,422	16,179
Commitments and contingencies		
Equity:		
Waste Management, Inc. 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	4,549	4,561
Retained earnings	6,879	6,721
Accumulated other comprehensive income	193	172
Treasury stock at cost, 166,062,235 and 169,749,709 shares, respectively	(5,273)	(5,390)
Total Waste Management, Inc. stockholders' equity	6,354	6,070
Noncontrolling interests	321	320
Total equity	6,675	6,390
Total liabilities and equity	\$23,097	\$22,569

See notes to Consolidated Financial Statements.

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WASTE MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Millions, Except per Share Amounts)

	Years Ended December 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Service revenues	\$12,327	\$11,852	\$11,371
Tangible product revenues	1,322	1,526	1,144
Total operating revenues	<u>13,649</u>	<u>13,378</u>	<u>12,515</u>
Costs and expenses:			
Operating costs (exclusive of depreciation and amortization shown below):			
Cost of services	7,765	7,254	6,854
Cost of tangible products	<u>1,114</u>	<u>1,287</u>	<u>970</u>
Total operating costs	8,879	8,541	7,824
Selling, general and administrative	1,472	1,551	1,461
Depreciation and amortization	1,297	1,229	1,194
Restructuring	67	19	(2)
(Income) expense from divestitures, asset impairments and unusual items	<u>83</u>	<u>10</u>	<u>(78)</u>
	<u>11,798</u>	<u>11,350</u>	<u>10,399</u>
Income from operations	<u>1,851</u>	<u>2,028</u>	<u>2,116</u>
Other income (expense):			
Interest expense	(488)	(481)	(473)
Interest income	4	8	4
Equity in net losses of unconsolidated entities	(46)	(31)	(21)
Other, net	<u>(18)</u>	<u>(4)</u>	<u>5</u>
	<u>(548)</u>	<u>(508)</u>	<u>(485)</u>
Income before income taxes	1,303	1,520	1,631
Provision for income taxes	<u>443</u>	<u>511</u>	<u>629</u>
Consolidated net income	860	1,009	1,002
Less: Net income attributable to noncontrolling interests	<u>43</u>	<u>48</u>	<u>49</u>
Net income attributable to Waste Management, Inc.	<u>\$ 817</u>	<u>\$ 961</u>	<u>\$ 953</u>
Basic earnings per common share	<u>\$ 1.76</u>	<u>\$ 2.05</u>	<u>\$ 1.98</u>
Diluted earnings per common share	<u>\$ 1.76</u>	<u>\$ 2.04</u>	<u>\$ 1.98</u>
Cash dividends declared per common share	<u>\$ 1.42</u>	<u>\$ 1.36</u>	<u>\$ 1.26</u>

See notes to Consolidated Financial Statements.

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WASTE MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Consolidated net income	\$860	\$1,009	\$1,002
Other comprehensive income (loss), net of taxes:			
Unrealized losses on derivative instruments:			
Unrealized losses, resulting from changes in fair value, net of tax benefit of \$(14), \$(20) and \$(28), respectively	(22)	(30)	(43)
Reclassification adjustment for losses included in net income, net of tax benefit of \$5, \$1 and \$12, respectively	<u>10</u>	<u>1</u>	<u>18</u>
	(12)	(29)	(25)
Unrealized gains (losses) on available-for-sale securities, net of tax expense (benefit) of \$2, \$(2) and \$2, respectively	2	(3)	3
Foreign currency translation adjustments	33	(18)	49
Change in funded status of post-retirement benefit obligation, net of tax benefit of \$(2), \$(5) and \$(3), respectively	<u>(2)</u>	<u>(8)</u>	<u>(5)</u>
Other comprehensive income (loss), net of taxes	<u>21</u>	<u>(58)</u>	<u>22</u>
Comprehensive income	881	951	1,024
Less: Comprehensive income attributable to noncontrolling interests	43	48	49
Comprehensive income attributable to Waste Management, Inc.	<u>\$838</u>	<u>\$ 903</u>	<u>\$ 975</u>

See notes to Consolidated Financial Statements.

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WASTE MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Years Ended December 31,		
	2012	2011	2010
Cash flows from operating activities:			
Consolidated net income	\$ 860	\$ 1,009	\$ 1,002
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	1,297	1,229	1,194
Deferred income tax provision	67	198	154
Interest accretion on landfill liabilities	84	84	82
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	6	23	8
Provision for bad debts	57	44	41
Equity-based compensation expense	29	45	36
Excess tax benefits associated with equity-based transactions	(11)	(8)	(9)
Net gain on disposal of assets	(21)	(24)	(22)
Effect of (income) expense from divestitures, asset impairments and unusual items and other	99	10	(1)
Equity in net losses of unconsolidated entities, net of dividends	46	31	20
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(131)	(110)	(159)
Other current assets	(50)	(23)	47
Other assets	105	28	(3)
Accounts payable and accrued liabilities	(57)	65	(57)
Deferred revenues and other liabilities	(85)	(132)	(58)
Net cash provided by operating activities	<u>2,295</u>	<u>2,469</u>	<u>2,275</u>
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(250)	(867)	(407)
Capital expenditures	(1,510)	(1,324)	(1,104)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	44	36	44
Net receipts from restricted trust and escrow accounts	14	107	48
Investments in unconsolidated entities	(77)	(155)	(173)
Other	(51)	18	(14)
Net cash used in investing activities	<u>(1,830)</u>	<u>(2,185)</u>	<u>(1,606)</u>
Cash flows from financing activities:			
New borrowings	1,180	1,201	908
Debt repayments	(1,058)	(503)	(1,112)
Common stock repurchases	—	(575)	(501)
Cash dividends	(658)	(637)	(604)
Exercise of common stock options	43	45	54
Excess tax benefits associated with equity-based transactions	11	8	9
Distributions paid to noncontrolling interests	(46)	(59)	(45)
Other	(2)	(46)	18
Net cash used in financing activities	<u>(530)</u>	<u>(566)</u>	<u>(1,273)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1</u>	<u>1</u>	<u>3</u>
Increase (decrease) in cash and cash equivalents	(64)	(281)	(601)
Cash and cash equivalents at beginning of year	258	539	1,140
Cash and cash equivalents at end of year	<u>\$ 194</u>	<u>\$ 258</u>	<u>\$ 539</u>

See notes to Consolidated Financial Statements.

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WASTE MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Millions, Except Shares in Thousands)

	Waste Management, Inc. Stockholders' Equity									
	Total	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Noncontrolling Interests
		Shares	Amounts			Shares	Amounts	Shares	Amounts	
Balance, December 31, 2009	\$6,591	630,282	\$ 6	\$ 4,543	\$ 6,053	\$ 208	(144,162)	\$ (4,525)	\$ 306	
Consolidated net income	1,002	—	—	—	953	—	—	—	49	
Other comprehensive income (loss), net of taxes	22	—	—	—	—	22	—	—	—	
Cash dividends declared	(604)	—	—	—	(604)	—	—	—	—	
Equity-based compensation transactions, including dividend equivalents, net of taxes	104	—	—	(15)	(2)	—	3,832	121	—	
Common stock repurchases	(501)	—	—	—	—	—	(14,920)	(501)	—	
Distributions paid to noncontrolling interests	(45)	—	—	—	—	—	—	—	(45)	
Noncontrolling interests in acquired businesses	52	—	—	—	—	—	—	—	52	
Deconsolidation of variable interest entities	(31)	—	—	—	—	—	—	—	(31)	
Other	1	—	—	—	—	—	14	1	—	
Balance, December 31, 2010	\$6,591	630,282	\$ 6	\$ 4,528	\$ 6,400	\$ 230	(155,236)	\$ (4,904)	\$ 331	
Consolidated net income	1,009	—	—	—	961	—	—	—	48	
Other comprehensive income (loss), net of taxes	(58)	—	—	—	—	(58)	—	—	—	
Cash dividends declared	(637)	—	—	—	(637)	—	—	—	—	
Equity-based compensation transactions, including dividend equivalents, net of taxes	119	—	—	33	(3)	—	2,813	89	—	
Common stock repurchases	(575)	—	—	—	—	—	(17,338)	(575)	—	
Distributions paid to noncontrolling interests	(59)	—	—	—	—	—	—	—	(59)	
Other	—	—	—	—	—	—	11	—	—	
Balance, December 31, 2011	\$6,390	630,282	\$ 6	\$ 4,561	\$ 6,721	\$ 172	(169,750)	\$ (5,390)	\$ 320	
Consolidated net income	860	—	—	—	817	—	—	—	43	
Other comprehensive income (loss), net of taxes	21	—	—	—	—	21	—	—	—	
Cash dividends declared	(658)	—	—	—	(658)	—	—	—	—	
Equity-based compensation transactions, including dividend equivalents, net of taxes	101	—	—	(15)	(1)	—	3,680	117	—	
Distributions paid to noncontrolling interests	(46)	—	—	—	—	—	—	—	(46)	
Other	7	—	—	3	—	—	8	—	4	
Balance, December 31, 2012	<u>\$6,675</u>	<u>630,282</u>	<u>\$ 6</u>	<u>\$ 4,549</u>	<u>\$ 6,879</u>	<u>\$ 193</u>	<u>(166,062)</u>	<u>\$ (5,273)</u>	<u>\$ 321</u>	

See notes to Consolidated Financial Statements.

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2012, 2011 and 2010

1. Business

The financial statements presented in this report represent the consolidation of Waste Management, Inc., a Delaware corporation; Waste Management's wholly-owned and majority-owned subsidiaries; and certain variable interest entities for which Waste Management or its subsidiaries are the primary beneficiary as described in Note 20. Waste Management is a holding company and all operations are conducted by its 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 "WM," we are referring only to Waste Management, Inc., the parent holding company.

We are the leading provider of comprehensive waste management services in North America, including collection, transfer, recycling and resource recovery, and disposal services for residential, commercial, industrial and municipal customers (our "Solid Waste business" or "Solid Waste"). Our Solid Waste business is operated and managed locally by our subsidiaries throughout North America that focus on distinct geographical areas. We are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States.

Through the third quarter of 2012, the operations of our local subsidiaries were primarily organized under our Eastern, Midwest, Southern, Western and Wheelabrator operating Groups. In July 2012, we announced a reorganization of our operations, designed to streamline management and staff support and reduce our cost structure, while not disrupting our front-line operations. Principal organizational changes included removing the management layer of our four geographic Groups, each of which previously constituted a reportable segment, and consolidating and reducing the number of Geographic Areas from 22 to 17.

Following our reorganization, our senior management now evaluates, oversees and manages the financial performance of our Solid Waste business subsidiaries through these 17 Areas. Our reportable segments have been realigned to conform with our new organizational structure. See Note 12 for additional information related to this reorganization. Our Wheelabrator business provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. We also provide additional services that are not managed through our Solid Waste or Wheelabrator businesses, including our strategic accounts program that expanded with the acquisition of Oakleaf Global Holdings on July 28, 2011 ("Oakleaf"), which are presented in this report as "Other." Additional information related to our segments and to our acquisition of Oakleaf can be found in Note 21 and in Note 19, respectively.

2. Accounting Changes and Reclassifications*Accounting Changes*

Indefinite-Lived Intangible Assets Impairment Testing — In July 2012, the Financial Accounting Standards Board ("FASB") amended authoritative guidance associated with indefinite-lived intangible assets testing. The amended guidance provides companies the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. The amendments are effective for indefinite-lived intangible impairment tests performed for fiscal years beginning after September 15, 2012; however, early adoption was permitted. The Company's early adoption of this guidance in 2012 did not have an impact on our consolidated financial statements. Additional information on impairment testing can be found in Note 3.

Comprehensive Income — In June 2011, the FASB issued amended authoritative guidance associated with comprehensive income, which requires companies to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

comprehensive income or in two separate but consecutive statements. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in equity. In December 2011, the FASB deferred the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. The amendments to authoritative guidance associated with comprehensive income were effective for the Company on January 1, 2012 and have been applied retrospectively. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Fair Value Measurement — In May 2011, the FASB amended authoritative guidance associated with fair value measurements. This amended guidance defines certain requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). The amendments to authoritative guidance associated with fair value measurements were effective for the Company on January 1, 2012 and have been applied prospectively. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Goodwill Impairment Testing — In September 2011, the FASB amended authoritative guidance associated with goodwill impairment testing. The amended guidance provides companies the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two-step impairment test. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption was permitted. The Company’s early adoption of this guidance in 2011 did not have an impact on our consolidated financial statements. Additional information on impairment testing can be found in Note 3.

Multiple-Deliverable Revenue Arrangements — In October 2009, the FASB amended authoritative guidance associated with multiple-deliverable revenue arrangements. This amended guidance addresses the determination of when individual deliverables within an arrangement are required to be treated as separate units of accounting and modifies the manner in which consideration is allocated across the separately identifiable deliverables. The amendments to authoritative guidance associated with multiple-deliverable revenue arrangements became effective for the Company on January 1, 2011. The new accounting standard has been applied prospectively to arrangements entered into or materially modified after the date of adoption. The adoption of this guidance has not had a material impact on our consolidated financial statements.

Consolidation of Variable Interest Entities — In June 2009, the FASB issued revised authoritative guidance associated with the consolidation of variable interest entities. The new guidance primarily uses a qualitative approach for determining whether an enterprise is the primary beneficiary of a variable interest entity and, is therefore, required to consolidate the entity. This new guidance generally defines the primary beneficiary as the entity that has (i) the power to direct the activities of the variable interest entity that can most significantly impact the entity’s performance and (ii) the obligation to absorb losses and the right to receive benefits from the variable interest entity that could be significant from the perspective of the entity. The new guidance also requires that we continually reassess whether we are the primary beneficiary of a variable interest entity rather than conducting a reassessment only upon the occurrence of specific events.

As a result of our implementation of this guidance, effective January 1, 2010, we deconsolidated certain final capping, closure, post-closure and environmental remediation trusts because we share power over significant activities of these trusts with others. Our financial interests in these entities are discussed in Note 20. The deconsolidation of these trusts has not materially affected our financial position, results of operations or cash flows during the periods presented.

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reclassifications

Certain reclassifications have been made to our prior period consolidated financial information in order to conform to the current year presentation.

3. Summary of Significant Accounting Policies***Principles of Consolidation***

The accompanying Consolidated Financial Statements include the accounts of WM, its wholly-owned and majority-owned subsidiaries and certain variable interest entities for which we have determined that we are the primary beneficiary. All material intercompany balances and transactions have been eliminated. Investments in entities in which we do not have a controlling financial interest are accounted for under either the equity method or cost method of accounting, as appropriate.

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, 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. 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 present the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments, deferred income taxes and reserves associated with our insured and self-insured claims. Each of these items is discussed in additional detail below. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market funds that invest in U.S. government obligations with original maturities of three months or less.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments held within our trust funds and escrow accounts, accounts receivable and derivative instruments. We make efforts to control our exposure to credit risk associated with these instruments by (i) placing our assets and other financial interests with a diverse group of credit-worthy financial institutions; (ii) holding high-quality financial instruments while limiting investments in any one instrument; and (iii) maintaining strict policies over credit extension that include credit evaluations, credit limits and monitoring procedures, although generally we do not have collateral requirements for credit extensions. We also control our exposure associated with trade receivables by discontinuing service, to the extent allowable, to non-paying customers. However, our overall credit risk associated with trade receivables is limited due to the large number of diverse customers we service. At December 31, 2012 and 2011, no single customer represented greater than 5% of total accounts receivable.

Trade and Other Receivables

Our receivables, which are recorded when billed, when services are performed or when cash is advanced, are claims against third parties that will generally be settled in cash. The carrying value of our receivables, net of the allowance for doubtful accounts, represents the estimated net realizable value. We estimate our allowance for doubtful accounts based on historical collection trends; type of customer, such as municipal or commercial; the age of outstanding receivables; and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those

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WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when our internal collection efforts have been unsuccessful. Also, we recognize interest income on long-term interest-bearing notes receivable as the interest accrues under the terms of the notes. We no longer accrue interest once the notes are deemed uncollectible.

Parts and Supplies

Parts and supplies consist primarily of spare parts, fuel, tires, lubricants and processed recycling materials. Our parts and supplies are stated at the lower of cost, using the average cost method, or market.

Landfill Accounting

Cost Basis of Landfill Assets — We capitalize various costs that we incur to make a landfill ready to accept waste. These costs generally include expenditures for land (including the landfill footprint and required landfill buffer property); permitting; excavation; liner material and installation; landfill leachate collection systems; landfill gas collection systems; environmental monitoring equipment for groundwater and landfill gas; and directly related engineering, capitalized interest, on-site road construction and other capital infrastructure costs. The cost basis of our landfill assets also includes asset retirement costs, which represent estimates of future costs associated with landfill final capping, closure and post-closure activities. These costs are discussed below.

Final Capping, Closure and Post-Closure Costs — Following is a description of our asset retirement activities and our related accounting:

• ***Final Capping*** — Involves the installation of flexible membrane liners and geosynthetic clay liners, drainage and compacted soil layers and topsoil over areas of a landfill where total airspace capacity has been consumed. Final capping asset retirement obligations are recorded on a units-of-consumption basis as airspace is consumed related to the specific final capping event with a corresponding increase in the landfill asset. Each final capping event is accounted for as a discrete obligation and recorded as an asset and a liability based on estimates of the discounted cash flows and capacity associated with each final capping event.

• ***Closure*** — Includes the construction of the final portion of methane gas collection systems (when required), demobilization and routine maintenance costs. These are costs incurred after the site ceases to accept waste, but before the landfill is certified as closed by the applicable state regulatory agency. These costs are recorded as an asset retirement obligation as airspace is consumed over the life of the landfill with a corresponding increase in the landfill asset. Closure obligations are recorded over the life of the landfill based on estimates of the discounted cash flows associated with performing closure activities.

• ***Post-Closure*** — Involves the maintenance and monitoring of a landfill site that has been certified closed by the applicable regulatory agency. Generally, we are required to maintain and monitor landfill sites for a 30-year period. These maintenance and monitoring costs are recorded as an asset retirement obligation as airspace is consumed over the life of the landfill with a corresponding increase in the landfill asset. Post-closure obligations are recorded over the life of the landfill based on estimates of the discounted cash flows associated with performing post-closure activities.

We develop our estimates of these obligations using input from our operations personnel, engineers and accountants. Our estimates are based on our interpretation of current requirements and proposed regulatory changes and are intended to approximate fair value. Absent quoted market prices, the estimate of fair value is based on the best available information, including the results of present value techniques. In many cases, we contract with third parties to fulfill our obligations for final capping, closure and post-closure. We use historical experience, professional engineering judgment and quoted and actual prices paid for similar work to determine the fair value of these obligations. We are required to recognize these obligations at market prices whether we plan to contract with third parties or perform the work ourselves. In those instances where we perform the work with internal resources, the incremental profit margin realized is recognized as a component of operating income when the work is performed.

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Once we have determined the final capping, closure and post-closure costs, we inflate those costs to the expected time of payment and discount those expected future costs back to present value. During the years ended December 31, 2012, 2011 and 2010, we inflated these costs in current dollars until the expected time of payment using an inflation rate of 2.5%. We discount these costs to present value using the credit-adjusted, risk-free rate effective at the time an obligation is incurred, consistent with the expected cash flow approach. Any changes in expectations that result in an upward revision to the estimated cash flows are treated as a new liability and discounted at the current rate while downward revisions are discounted at the historical weighted-average rate of the recorded obligation. As a result, the credit-adjusted, risk-free discount rate used to calculate the present value of an obligation is specific to each individual asset retirement obligation. The weighted-average rate applicable to our asset retirement obligations at December 31, 2012 is between 4.5% and 8.0%, the range of the credit-adjusted, risk-free discount rates effective since we adopted the FASB's authoritative guidance related to asset retirement obligations in 2003. We expect to apply a credit-adjusted, risk-free discount rate of 4.25% to liabilities incurred in the first quarter of 2013.

We record the estimated fair value of final capping, closure and post-closure liabilities for our landfills based on the capacity consumed through the current period. The fair value of final capping obligations is developed based on our estimates of the airspace consumed to date for each final capping event and the expected timing of each final capping event. The fair value of closure and post-closure obligations is developed based on our estimates of the airspace consumed to date for the entire landfill and the expected timing of each closure and post-closure activity. Because these obligations are measured at estimated fair value using present value techniques, changes in the estimated cost or timing of future final capping, closure and post-closure activities could result in a material change in these liabilities, related assets and results of operations. We assess the appropriateness of the estimates used to develop our recorded balances annually, or more often if significant facts change.

Changes in inflation rates or the estimated costs, timing or extent of future final capping, closure and post-closure activities typically result in both (i) a current adjustment to the recorded liability and landfill asset; and (ii) a change in liability and asset amounts to be recorded prospectively over either the remaining capacity of the related discrete final capping event or the remaining permitted and expansion airspace (as defined below) of the landfill. Any changes related to the capitalized and future cost of the landfill assets are then recognized in accordance with our amortization policy, which would generally result in amortization expense being recognized prospectively over the remaining capacity of the final capping event or the remaining permitted and expansion airspace of the landfill, as appropriate. Changes in such estimates associated with airspace that has been fully utilized result in an adjustment to the recorded liability and landfill assets with an immediate corresponding adjustment to landfill airspace amortization expense.

During the years ended December 31, 2012, 2011 and 2010, adjustments associated with changes in our expectations for the timing and cost of future final capping, closure and post-closure of fully utilized airspace resulted in \$3 million, \$11 million and \$13 million in net credits to landfill airspace amortization expense, respectively, with the majority of these credits resulting from revised estimates associated with final capping changes. In managing our landfills, our engineers look for ways to reduce or defer our construction costs, including final capping costs. The benefit recognized in these years was generally the result of (i) concerted efforts to improve the operating efficiencies of our landfills and volume declines, both of which have allowed us to delay spending for final capping activities; (ii) effectively managing the cost of final capping material and construction; or (iii) landfill expansions that resulted in reduced or deferred final capping costs.

Interest accretion on final capping, closure and post-closure liabilities is recorded using the effective interest method and is recorded as final capping, closure and post-closure expense, which is included in "Operating" costs and expenses within our Consolidated Statements of Operations.

Amortization of Landfill Assets — The amortizable basis of a landfill includes (i) amounts previously expended and capitalized; (ii) capitalized landfill final capping, closure and post-closure costs; (iii) projections of

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WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

future purchase and development costs required to develop the landfill site to its remaining permitted and expansion capacity; and (iv) projected asset retirement costs related to landfill final capping, closure and post-closure activities.

Amortization is recorded on a units-of-consumption basis, applying expense as a rate per ton. The rate per ton is calculated by dividing each component of the amortizable basis of a landfill by the number of tons needed to fill the corresponding asset's airspace. For landfills that we do not own, but operate through operating or lease arrangements, the rate per ton is calculated based on expected capacity to be utilized over the lesser of the contractual term of the underlying agreement or the life of the landfill.

We apply the following guidelines in determining a landfill's remaining permitted and expansion airspace:

• *Remaining Permitted Airspace* — Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is used to compare the existing landfill topography to the expected final landfill topography.

• *Expansion Airspace* — We also include currently unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. First, to include airspace associated with an expansion effort, we must generally expect the initial expansion permit application to be submitted within one year, and the final expansion permit to be received within five years. Second, we must believe the success of obtaining the expansion permit is likely, considering the following criteria:

• Personnel are actively working on the expansion of an existing landfill, including efforts to obtain land use and local, state or provincial approvals;

• It is likely that the approvals will be received within the normal application and processing time periods for approvals in the jurisdiction in which the landfill is located;

• We have a legal right to use or obtain land to be included in the expansion plan;

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

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

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

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated by our field-based engineers, accountants, managers and others to identify potential obstacles to obtaining the permits. Once the unpermitted airspace is included, our policy provides that airspace may continue to be included in remaining permitted and expansion airspace even if certain of these criteria are no longer met as long as we continue to believe we will ultimately obtain the permit, based on the facts and circumstances of a specific landfill. In these circumstances, continued inclusion must be approved through a landfill-specific review process that includes approval by our Chief Financial Officer and a review by the Audit Committee of our Board of Directors on a quarterly basis. Of the 32 landfill sites with expansions included at December 31, 2012, 10 landfills required the Chief Financial Officer to approve the inclusion of the unpermitted airspace. Six of these landfills required approval by our Chief Financial Officer because of community or political opposition that could impede the expansion process. The remaining four landfills required approval due to local zoning restrictions or because the permit application processes do not meet the one- or five-year requirements.

When we include the expansion airspace in our calculations of remaining permitted and expansion airspace, we also include the projected costs for development, as well as the projected asset retirement costs related to final capping, closure and post-closure of the expansion in the amortization basis of the landfill.

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Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor, or AUF, is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys and is then adjusted to account for future settlement. The amount of settlement that is forecasted will take into account several site-specific factors including current and projected mix of waste type, initial and projected waste density, estimated number of years of life remaining, depth of underlying waste, anticipated access to moisture through precipitation or recirculation of landfill leachate, and operating practices. In addition, the initial selection of the AUF is subject to a subsequent multi-level review by our engineering group, and the AUF used is reviewed on a periodic basis and revised as necessary. Our historical experience generally indicates that the impact of settlement at a landfill is greater later in the life of the landfill when the waste placed at the landfill approaches its highest point under the permit requirements.

After determining the costs and remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for each landfill for assets associated with each final capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future. These rates per ton are updated annually, or more often, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates, or related assumptions, prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates or higher expenses, or higher profitability may result if the opposite occurs. Most significantly, if it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time management makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

Environmental Remediation Liabilities

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. These liabilities include potentially responsible party (“PRP”) investigations, settlements, and certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials, external contractor costs and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We routinely review and evaluate sites that require remediation and determine our estimated cost for the likely remedy based on a number of estimates and assumptions.

Where it is probable that a liability has been incurred, we estimate costs required to remediate sites based on site-specific facts and circumstances. We routinely review and evaluate sites that require remediation, considering whether we were an owner, operator, transporter, or generator at the site, the amount and type of waste hauled to the site and the number of years we were associated with the site. Next, we review the same type of information with respect to other named and unnamed PRPs. Estimates of the costs for the likely remedy are then either developed using our internal resources or by third-party environmental engineers or other service providers. Internally developed estimates are based on:

• Management’s judgment and experience in remediating our own and unrelated parties’ sites;

• Information available from regulatory agencies as to costs of remediation;

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• The number, financial resources and relative degree of responsibility of other PRPs who may be liable for remediation of a specific site; and

• The typical allocation of costs among PRPs, unless the actual allocation has been determined.

Estimating our degree of responsibility for remediation is inherently difficult. We recognize and accrue for an estimated remediation liability when we determine that such liability is both probable and reasonably estimable. 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 site remediation alternatives identified in the investigation of the extent of environmental impact. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within a range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would be approximately \$140 million higher than the \$253 million recorded in the Consolidated Financial Statements as of December 31, 2012. Our ultimate responsibility may differ materially from current estimates. It is possible that technological, regulatory or enforcement developments, the results of environmental studies, the inability to identify other PRPs, the inability of other PRPs to contribute to the settlements of such liabilities, or other factors could require us to record additional liabilities. Our ongoing review of our remediation liabilities, in light of relevant internal and external facts and circumstances, could result in revisions to our accruals that could cause upward or downward adjustments to income from operations. These adjustments could be material in any given period.

Where we believe that both the amount of a particular environmental remediation liability and the timing of the payments are reliably determinable, we inflate the cost in current dollars (by 2.5% at December 31, 2012 and 2011) until the expected time of payment and discount the cost to present value using a risk-free discount rate, which is based on the rate for United States Treasury bonds with a term approximating the weighted average period until settlement of the underlying obligation. We determine the risk-free discount rate and the inflation rate on an annual basis unless interim changes would significantly impact our results of operations. For remedial liabilities that have been discounted, we include interest accretion, based on the effective interest method, in "Operating" costs and expenses in our Consolidated Statements of Operations. The following table summarizes the impacts of revisions in the risk-free discount rate applied to our environmental remediation liabilities and recovery assets during the reported periods (in millions) and the risk-free discount rate applied as of each reporting date:

	Years Ended December 31,		
	2012	2011	2010
Charge to Operating expenses	\$ 3	\$ 17	\$ 2
Risk-free discount rate applied to environmental remediation liabilities and recovery assets	1.75%	2.00%	3.50%

The portion of our recorded environmental remediation liabilities that has never been subject to inflation or discounting, as the amounts and timing of payments are not readily determinable, was \$32 million at December 31, 2012 and \$48 million at December 31, 2011. Had we not inflated and discounted any portion of our environmental remediation liability, the amount recorded would have decreased by \$11 million at December 31, 2012 and decreased by \$8 million at December 31, 2011.

Property and Equipment (exclusive of landfills, discussed above)

We record property and equipment at cost. Expenditures for major additions and improvements are capitalized and maintenance activities are expensed as incurred. We depreciate property and equipment over the estimated useful life of the asset using the straight-line method. We assume no salvage value for our depreciable property and equipment. When property and equipment are retired, sold or otherwise disposed of, the cost and accumulated depreciation are removed from our accounts and any resulting gain or loss is included in results of operations as an offset or increase to operating expense for the period.

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The estimated useful lives for significant property and equipment categories are as follows (in years):

	<u>Useful Lives</u>
Vehicles — excluding rail haul cars	3 to 10
Vehicles — rail haul cars	10 to 20
Machinery and equipment — including containers	3 to 30
Buildings and improvements — excluding waste-to-energy facilities	5 to 40
Waste-to-energy facilities and related equipment	up to 50
Furniture, fixtures and office equipment	3 to 10

We include capitalized costs associated with developing or obtaining internal-use software within furniture, fixtures and office equipment. These costs include direct external costs of materials and services used in developing or obtaining the software and internal costs for employees directly associated with the software development project. As of December 31, 2012 and 2011, capitalized costs for software placed in service, net of accumulated depreciation, were \$123 million and \$112 million, respectively. In addition, our furniture, fixtures and office equipment includes \$36 million as of December 31, 2012 and \$27 million as of December 31, 2011 for costs incurred for software under development.

Leases

We lease property and equipment in the ordinary course of our business. Our most significant lease obligations are for property and equipment specific to our industry, including real property operated as a landfill, transfer station or waste-to-energy facility. Our leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, penalties or other obligations that we consider in determining minimum lease payments. The leases are classified as either operating leases or capital leases, as appropriate.

Operating Leases (excluding landfills discussed below) — The majority of our leases are operating leases. This classification generally can be attributed to either (i) relatively low fixed minimum lease payments as a result of real property lease obligations that vary based on the volume of waste we receive or process or (ii) minimum lease terms that are much shorter than the assets' economic useful lives. Management expects that in the normal course of business our operating leases will be renewed, replaced by other leases, or replaced with fixed asset expenditures. Our rent expense during each of the last three years and our future minimum operating lease payments for each of the next five years for which we are contractually obligated as of December 31, 2012 are disclosed in Note 11.

Capital Leases (excluding landfills discussed below) — Assets under capital leases are capitalized using interest rates determined at the inception of each lease and are amortized over either the useful life of the asset or the lease term, as appropriate, on a straight-line basis. The present value of the related lease payments is recorded as a debt obligation. Our future minimum annual capital lease payments are included in our total future debt obligations as disclosed in Note 7.

Landfill Leases — From an operating perspective, landfills that we lease are similar to landfills we own because generally we own the landfill's operating permit and will operate the landfill for the entire lease term, which in many cases is the life of the landfill. As a result, our landfill leases are generally capital leases. The most significant portion of our rental obligations for landfill leases is contingent upon operating factors such as disposal volumes and often there are no contractual minimum rental obligations. Contingent rental obligations are expensed as incurred. For landfill capital leases that provide for minimum contractual rental obligations, we record the present value of the minimum obligation as part of the landfill asset, which is amortized on a units-of-consumption basis over the shorter of the lease term or the life of the landfill.

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Acquisitions

We generally recognize assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities, based on fair value estimates as of the date of acquisition.

Contingent Consideration — In certain acquisitions, we agree to pay additional amounts to sellers contingent upon achievement by the acquired businesses of certain negotiated goals, such as targeted revenue levels, targeted disposal volumes or the issuance of permits for expanded landfill airspace. We have recognized liabilities for these contingent obligations based on their estimated fair value at the date of acquisition with any differences between the acquisition-date fair value and the ultimate settlement of the obligations being recognized as an adjustment to income from operations.

Acquired Assets and Assumed Liabilities — Assets and liabilities arising from contingencies such as pre-acquisition environmental matters and litigation are recognized at their acquisition-date fair value when their respective fair values can be determined. If the fair values of such contingencies cannot be determined, they are recognized at the acquisition date if the contingencies are probable and an amount can be reasonably estimated.

Acquisition-date fair value estimates are revised as necessary and accounted for as an adjustment to income from operations if, and when, additional information regarding these contingencies becomes available to further define and quantify assets acquired and liabilities assumed. All acquisition-related transaction costs have been expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but as discussed in the “Asset Impairments” section below, we assess our goodwill for impairment at least annually.

Other intangible assets consist primarily of customer contracts, customer relationships, covenants not-to-compete, licenses, permits (other than landfill permits, as all landfill-related intangible assets are combined with landfill tangible assets and amortized using our landfill amortization policy), and other contracts. Other intangible assets are recorded at fair value and are generally amortized using either a 150% declining balance approach or a straight-line basis as we determine appropriate. Customer contracts and customer relationships are typically amortized over ten years. Covenants not-to-compete are amortized over the term of the non-compete covenant, which is generally two to five years. Licenses, permits and other contracts are amortized over the definitive terms of the related agreements. If the underlying agreement does not contain definitive terms and the useful life is determined to be indefinite, the asset is not amortized.

Asset Impairments

We monitor the carrying value of our long-lived assets for potential impairment and test the recoverability of such assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. These events or changes in circumstances, including management decisions pertaining to such assets, are referred to as impairment indicators. If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If cash flows cannot be separately and independently identified for a single asset, we will determine whether an impairment has occurred for the group of assets for which we can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset or asset group; (ii) actual third-party valuations; and/or (iii) information available regarding the current market for similar assets. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs and is included in the “(Income) expense from divestitures, asset impairments and unusual items” line item in our

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Consolidated Statement of Operations. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized, which could impact our ability to accurately assess whether an asset has been impaired.

There are additional considerations for impairments of landfills, goodwill and other indefinite-lived intangible assets, as described below.

Landfills — The assessment of impairment indicators and the recoverability of our capitalized costs associated with landfills and related expansion projects require significant judgment due to the unique nature of the waste industry, the highly regulated permitting process and the sensitive estimates involved. During the review of a landfill expansion application, a regulator may initially deny the expansion application although the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace, or a landfill may be required to cease accepting waste, prior to receipt of the expansion permit. However, such events occur in the ordinary course of business in the waste industry and do not necessarily result in impairment of our landfill assets because, after consideration of all facts, such events may not affect our belief that we will ultimately obtain the expansion permit. As a result, our tests of recoverability, which generally make use of a probability-weighted cash flow estimation approach, may indicate that no impairment loss should be recorded. At December 31, 2012, three of our landfill sites in two jurisdictions for which we believe receipt of expansion permits is probable, are not currently accepting waste. The net recorded capitalized landfill asset cost for these three sites was \$493 million at December 31, 2012. We performed tests of recoverability for these landfills and the undiscounted cash flows resulting from our probability-weighted estimation approach significantly exceeded the carrying values of each of these three sites.

Goodwill — At least annually, and more frequently if warranted, we assess our goodwill for impairment.

In July 2012, we announced organizational changes including removing the management layer of our four geographic Groups and consolidating and reducing the number of our geographic Areas through which we evaluate and oversee our Solid Waste business from 22 to 17. With the elimination of the geographic Groups, we have determined that our Areas constitute reporting units and we now assess whether a goodwill impairment exists at the Area level. Goodwill previously assigned to the Groups was allocated to the Areas on a relative fair value basis. We continue to assess whether goodwill impairment exists at our other reporting units, including the Wheelabrator business and our other less material reporting units including recycling brokerage and waste diversion technology businesses.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment or two-step impairment test to determine whether a goodwill impairment exists at the reporting unit. The first step in our quantitative assessment identifies potential impairments by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. Fair value is typically estimated using a combination of the income approach and market approach or only an income approach when applicable. The income approach is based on the long-term projected future cash flows of the reporting units. We discount the estimated cash flows to present value using a weighted-average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting units' expected long-term performance considering the economic and market conditions that generally affect our business. The market approach estimates fair value by measuring the

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aggregate market value of publicly-traded companies with similar characteristics to our business as a multiple of their reported cash flows. We then apply that multiple to the reporting units' cash flows to estimate their fair values. We believe that this approach is appropriate because it provides a fair value estimate using valuation inputs from entities with operations and economic characteristics comparable to our reporting units.

Fair value computed by these two methods is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that these two methods provide a reasonable approach to estimating the fair value of our reporting units.

Refer to Note 6 for additional information related to goodwill impairment considerations made during the reported periods.

Indefinite-Lived Intangible Assets Other Than Goodwill — At least annually, and more frequently if warranted, we assess indefinite-lived intangible assets other than goodwill for impairment.

Beginning in 2012, when performing the impairment test for indefinite-lived intangible assets, we generally first conduct a qualitative analysis to determine whether we believe it is more likely than not that an asset has been impaired. If we believe an impairment has occurred, we then evaluate for impairment by comparing the estimated fair value of assets to the carrying value. An impairment charge is recognized if the asset's estimated fair value is less than its carrying value.

Fair value is typically estimated using an income approach. The income approach is based on the long-term projected future cash flows. We discount the estimated cash flows to present value using a weighted-average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the expected long-term performance considering the economic and market conditions that generally affect our business.

Fair value computed by this method is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that this method provides a reasonable approach to estimating the fair value of the reporting units.

Refer to Note 6 for additional information related to indefinite-lived intangible assets impairment considerations made during the reported periods.

Restricted Trust and Escrow Accounts

As of December 31, 2012, our restricted trust and escrow accounts consist principally of funds deposited for purposes of settling landfill final capping, closure, post-closure and environmental remediation obligations. We often also have restricted trust and escrow account balances related to funds received from the issuance of tax-exempt bonds held in trust for the construction of various projects or facilities. As of December 31, 2012 and 2011, we had \$138 million and \$152 million, respectively, of restricted trust and escrow accounts, which are primarily included in long-term "Other assets" in our Consolidated Balance Sheets.

Final Capping, Closure, Post-Closure and Environmental Remediation Funds — At several of our landfills, we provide financial assurance by depositing cash into restricted trust funds or escrow accounts for purposes of settling final capping, closure, post-closure and environmental remediation obligations. Balances maintained in these trust funds and escrow accounts will fluctuate based on (i) changes in statutory requirements; (ii) future deposits made to comply with contractual arrangements; (iii) the ongoing use of funds for qualifying final capping, closure, post-closure and environmental remediation activities; (iv) acquisitions or divestitures of landfills; and (v) changes in the fair value of the financial instruments held in the trust fund or escrow accounts.

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Tax-Exempt Bond Funds — We obtain funds from the issuance of industrial revenue bonds for the construction of disposal facilities and for equipment necessary to provide waste management services. Proceeds from these arrangements are directly deposited into trust accounts, and we do not have the ability to use the funds in regular operating activities. Accordingly, these borrowings are treated as non-cash financing activities and are excluded from our Consolidated Statements of Cash Flows. As our construction and equipment expenditures are documented and approved by the applicable bond trustee, the funds are released and we receive a cash reimbursement. These cash reimbursements are reported in the Consolidated Statements of Cash Flows as an investing activity when the cash is released from the trust funds. Generally, the funds are fully expended within a few years of the debt issuance. When the debt matures, we generally repay our obligation with cash on hand and the debt repayments are included as a financing activity in the Consolidated Statements of Cash Flows.

Investments in Unconsolidated Entities

Investments in unconsolidated entities over which the Company has significant influence are accounted for under the equity method of accounting. Investments in entities in which the Company does not have the ability to exert significant influence over the investees' operating and financing activities are accounted for under the cost method of accounting. The following table summarizes our equity and cost method investments as of December 31 (in millions):

Equity method investments	<u>\$443</u>	<u>\$458</u>
Cost method investments	<u>224</u>	<u>179</u>
Investments in unconsolidated entities	<u>\$667</u>	<u>\$637</u>

Foreign Currency

We have operations in Canada and investments in China and the United Kingdom. The functional currency of our Canadian subsidiaries is Canadian dollars. The assets and liabilities of our foreign operations are translated to U.S. dollars using the exchange rate at the balance sheet date. Revenues and expenses are translated to U.S. dollars using the average exchange rate during the period. The resulting translation difference is reflected as a component of comprehensive income. The foreign currency exposure associated with our investments has not been material.

Derivative Financial Instruments

We primarily use derivative financial instruments to manage our risk associated with fluctuations in interest rates, foreign currency exchange rates and market prices for electricity. We use interest rate swaps to maintain a strategic portion of our long-term debt obligations at variable, market-driven interest rates. In 2009, we entered into interest rate derivatives in anticipation of senior note issuances planned for 2010 through 2014 to effectively lock in a fixed interest rate for those anticipated issuances. Foreign currency exchange rate derivatives are used to hedge our exposure to changes in exchange rates for anticipated intercompany debt transactions, and related interest payments, between Waste Management Holdings, Inc., a wholly-owned subsidiary ("WM Holdings"), and its Canadian subsidiaries. We use electricity commodity derivatives to mitigate the variability in our revenues and cash flows caused by fluctuations in the market prices for electricity. The financial statement impacts of our derivatives are discussed in Note 8.

We obtain current valuations of our interest rate, foreign currency and electricity commodity hedging instruments from third-party pricing models. The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transaction and the overall management of our exposure to fluctuations in the underlying risks. The fair value of derivatives is included in other current assets, other long-term assets, accrued liabilities or other long-term liabilities, as appropriate. Any ineffectiveness present in either fair value or cash flow hedges is recognized immediately in earnings without offset. There was no significant ineffectiveness in 2012, 2011 or 2010.

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Interest Rate Derivatives — Our “receive fixed, pay variable” interest rate swaps associated with outstanding fixed-rate senior notes have been designated as fair value hedges for accounting purposes. Accordingly, derivative assets are accounted for as an increase in the carrying value of our underlying debt obligations and derivative liabilities are accounted for as a decrease in the carrying value of our underlying debt instruments. These fair value adjustments are deferred and recognized as an adjustment to interest expense over the remaining term of the hedged instruments. Treasury locks and forward-starting swaps executed in 2009 were designated as cash flow hedges for accounting purposes. Unrealized changes in the fair value of these derivative instruments are recorded in “Accumulated other comprehensive income” within the equity section of our Consolidated Balance Sheets. The associated balance in other comprehensive income is reclassified to earnings as the hedged cash flows occur.

Foreign Currency Derivatives — Our foreign currency derivatives have been designated as cash flow hedges for accounting purposes, which results in the unrealized changes in the fair value of the derivative instruments being recorded in “Accumulated other comprehensive income” within the equity section of our Consolidated Balance Sheets. The associated balance in other comprehensive income is reclassified to earnings as the hedged cash flows affect earnings. In each of the periods presented, these derivatives have effectively mitigated the impacts of the hedged transactions, resulting in immaterial impacts to our results of operations for the periods presented.

Electricity Commodity Derivatives — Our “receive fixed, pay variable” electricity commodity swaps have been designated as cash flow hedges for accounting purposes. The effective portion of the electricity commodity swap gains or losses is initially reported as a component of “Accumulated other comprehensive income” within the equity section of our Consolidated Balance Sheets and subsequently reclassified into earnings when the forecasted transactions affect earnings.

Insured and Self-Insured Claims

We have retained a significant portion of the risks related to our health and welfare, automobile, general liability and workers’ compensation claims programs. The exposure for unpaid claims and associated expenses, including incurred but not reported losses, generally is estimated with the assistance of external actuaries and by factoring in pending claims and historical trends and data. The gross estimated liability associated with settling unpaid claims is included in “Accrued liabilities” in our Consolidated Balance Sheets if expected to be settled within one year, or otherwise is included in long-term “Other liabilities.” Estimated insurance recoveries related to recorded liabilities are reflected as current “Other receivables” or long-term “Other assets” in our Consolidated Balance Sheets when we believe that the receipt of such amounts is probable.

Revenue Recognition

Our revenues are generated from the fees we charge for waste collection, transfer, disposal and recycling services; from the sale of electricity, steam, and landfill gas, which are byproducts of our waste-to-energy and landfill operations; and from the sale of recyclable commodities, oil and gas and organic lawn and garden products. The fees charged for our services are generally defined in our service agreements and vary based on contract-specific terms such as frequency of service, weight, volume and the general market factors influencing a region’s rates. The fees we charge for our services generally include fuel surcharges, which are intended to pass through to customers increased direct and indirect costs incurred because of changes in market prices for fuel. We generally recognize revenue as services are performed or products are delivered. For example, revenue typically is recognized as waste is collected, tons are received at our landfills or transfer stations, recycling commodities are delivered or as kilowatts are delivered to a customer by a waste-to-energy facility or independent power production plant.

Tangible product revenues primarily include the sale of recyclable commodities at our material recovery facilities and through our recycling brokerage services and, to a lesser extent, sales of oil and gas and organic lawn and garden products.

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We bill for certain services prior to performance. Such services include, among others, certain residential contracts that are billed on a quarterly basis and equipment rentals. These advance billings are included in deferred revenues and recognized as revenue in the period service is provided.

Capitalized Interest

We capitalize interest on certain projects under development, including internal-use software and landfill expansion projects, and on certain assets under construction, including operating landfills, landfill gas-to-energy projects and waste-to-energy facilities. During 2012, 2011 and 2010, total interest costs were \$509 million, \$503 million and \$490 million, respectively, of which \$21 million was capitalized in 2012, \$22 million was capitalized in 2011 and \$17 million was capitalized in 2010. In 2012, 2011 and 2010, interest was capitalized primarily for landfill construction costs and landfill gas-to-energy construction projects.

Income Taxes

The Company is subject to income tax in the United States, Canada and Puerto Rico. Current tax obligations associated with our provision for income taxes are reflected in the accompanying Consolidated Balance Sheets as a component of "Accrued liabilities" and the deferred tax obligations are reflected in "Deferred income taxes."

Deferred income taxes are based on the difference between the financial reporting and tax basis of assets and liabilities. The deferred income tax provision represents the change during the reporting period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carry-forwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves for uncertain tax positions when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be challenged and potentially disallowed. When facts and circumstances change, we adjust these reserves through our provision for income taxes.

To the extent interest and penalties may be assessed by taxing authorities on any underpayment of income tax, such amounts have been accrued and are classified as a component of income tax expense in our Consolidated Statements of Operations.

Contingent Liabilities

We estimate the amount of potential exposure we may have with respect to claims, assessments and litigation in accordance with accounting principles generally accepted in the United States. We are party to pending or threatened legal proceedings covering a wide range of matters in various jurisdictions. It is difficult to predict the outcome of litigation, as it is subject to many uncertainties. Additionally, it is not always possible for management to make a meaningful estimate of the potential loss or range of loss associated with such contingencies.

Supplemental Cash Flow Information

Cash paid during the year (in millions):	Years Ended December 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Interest, net of capitalized interest and periodic settlements from interest rate swap agreements	\$ 485	\$ 470	\$ 477
Income taxes	366	306	547

During 2012, we did not have any significant non-cash activities. For the year ended December 31, 2011, non-cash activities included proceeds from tax-exempt borrowings, net of principal payments made directly from trust funds, of \$100 million. During the year ended December 31, 2010, we did not have any tax-exempt borrowings; however, we did have a \$215 million non-cash increase in our debt obligations as a result of the

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issuance of a note payable in return for a noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties. This investment is discussed in detail in Note 9. Non-cash investing and financing activities are excluded from the Consolidated Statements of Cash Flows.

4. Landfill and Environmental Remediation Liabilities

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

	<u>December 31, 2012</u>			<u>December 31, 2011</u>		
	<u>Landfill</u>	<u>Environmental Remediation</u>	<u>Total</u>	<u>Landfill</u>	<u>Environmental Remediation</u>	<u>Total</u>
Current (in accrued liabilities)	\$ 104	\$ 28	\$ 132	\$ 123	\$ 38	\$ 161
Long-term	1,234	225	1,459	1,169	235	1,404
	<u>\$1,338</u>	<u>\$ 253</u>	<u>\$1,591</u>	<u>\$1,292</u>	<u>\$ 273</u>	<u>\$1,565</u>

The changes to landfill and environmental remediation liabilities for the years ended December 31, 2011 and 2012 are reflected in the table below (in millions):

	<u>Landfill</u>	<u>Environmental Remediation</u>
December 31, 2010	\$1,266	\$ 284
Obligations incurred and capitalized	49	—
Obligations settled	(80)	(37)
Interest accretion	84	6
Revisions in cost estimates and interest rate assumptions(a)(b)	(30)	23
Acquisitions, divestitures and other adjustments	3	(3)
December 31, 2011	<u>\$1,292</u>	<u>\$ 273</u>
Obligations incurred and capitalized	58	—
Obligations settled	(87)	(30)
Interest accretion	84	4
Revisions in cost estimates and interest rate assumptions(a)(b)	(8)	5
Acquisitions, divestitures and other adjustments	(1)	1
December 31, 2012	<u>\$1,338</u>	<u>\$ 253</u>

(a) The amounts reported for our landfill liabilities include reductions of approximately \$30 million and \$15 million for 2011 and 2012, respectively, related to our year-end annual review of final landfill capping, closure and post-closure obligations.

(b) The amount reported in 2011 for our environmental remediation liabilities primarily relates to the impact of a decrease in the risk-free discount rate used to measure our liabilities from 3.5% at December 31, 2010 to 2.0% at December 31, 2011, resulting in an increase of \$25 million to our environmental remediation liabilities and a corresponding increase to "Operating" expenses. This charge was partially offset by a \$9 million favorable revision to an environmental remediation liability at a closed site based on the estimated cost of the remediation alternative selected by the EPA.

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The amount reported in 2012 for our environmental remediation liabilities includes the impact of a decrease in the risk-free discount rate used to measure our liabilities from 2.0% at December 31, 2011 to 1.75% at December 31, 2012, resulting in an increase of \$3 million to our environmental remediation liabilities and a corresponding increase to "Operating" expenses.

Our recorded liabilities as of December 31, 2012 include the impacts of inflating certain of these costs based on our expectations for the timing of cash settlement and of discounting certain of these costs to present value. Anticipated payments of currently identified environmental remediation liabilities as measured in current dollars are \$28 million in 2013, \$20 million in 2014, \$29 million in 2015, \$25 million in 2016, \$13 million in 2017 and \$127 million thereafter.

At several of our landfills, we provide financial assurance by depositing cash into restricted trust funds or escrow accounts for purposes of settling final capping, closure, post-closure and environmental remediation obligations. Generally, these trust funds are established to comply with statutory requirements and operating agreements. See Note 20 for additional information related to these trusts.

5. Property and Equipment

Property and equipment at December 31 consisted of the following (in millions):

	<u>2012</u>	<u>2011</u>
Land	\$ 657	\$ 663
Landfills	13,266	12,940
Vehicles	3,954	3,705
Machinery and equipment	3,967	3,731
Containers	2,482	2,392
Buildings and improvements	3,514	3,273
Furniture, fixtures and office equipment	923	846
	<u>28,763</u>	<u>27,550</u>
Less accumulated depreciation on tangible property and equipment	(8,924)	(8,377)
Less accumulated landfill airspace amortization	(7,188)	(6,931)
	<u>\$12,651</u>	<u>\$12,242</u>

Depreciation and amortization expense, including amortization expense for assets recorded as capital leases, was comprised of the following for the years ended December 31 (in millions):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Depreciation of tangible property and equipment	\$ 833	\$ 800	\$ 781
Amortization of landfill airspace	395	378	372
Depreciation and amortization expense	<u>\$1,228</u>	<u>\$1,178</u>	<u>\$1,153</u>

6. Goodwill and Other Intangible Assets

Goodwill was \$6,291 million as of December 31, 2012 compared with \$6,215 million as of December 31, 2011. The \$76 million increase in goodwill during 2012 was primarily related to consideration paid for acquisitions in excess of net assets acquired and accounting for foreign currency translation, partially offset by impairments and other adjustments. See Notes 3, 19 and 21 for additional information related to Goodwill.

In July 2012, we announced organizational changes including removing the management layer of our four geographic Groups and consolidating and reducing the number of our geographic Areas through which we

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evaluate and oversee our Solid Waste subsidiaries from 22 to 17. With the elimination of the geographic Groups, we have determined that our Areas constitute reporting units and we now assess whether a goodwill impairment exists at the Area level. Goodwill previously assigned to the Groups was allocated to the Areas on a relative fair value basis. This reorganization did not change our other reporting units, including the Wheelabrator business and our other less material reporting units including recycling brokerage and waste diversion technology businesses.

In the second quarter of 2012, we believed an impairment indicator existed such that the fair value of our Wheelabrator business could potentially be less than its carrying amount because of the negative effect on our revenues of the continued deterioration of electricity commodity prices, coupled with our continued increased exposure to market prices as a result of the expiration of several long-term, fixed-rate electricity commodity contracts at our waste-to-energy and independent power facilities, and the expiration of several long-term disposal contracts at above-market rates. As a result, we performed an interim impairment analysis of Wheelabrator's goodwill balance of \$788 million. We performed the interim quantitative assessment using both an income and a market approach in the second quarter of 2012, which indicated that the estimated fair value of our Wheelabrator business exceeded its carrying value.

In the fourth quarter of 2012, we performed our annual impairment test of our goodwill balances using a measurement date of October 1, 2012. This impairment test indicated that the estimated fair value of our Wheelabrator business exceeded its carrying value by approximately 10% compared to an excess of 30% at our annual fourth quarter 2011 test. This quantitative assessment was performed using both an income and market approach similar to our interim quantitative assessment. If market prices for electricity worsen or do not recover as we have projected, our disposal volumes or rates decline, our costs or capital expenditures exceed our forecasts or our costs of capital increase, the estimated fair value of our Wheelabrator business could decrease and potentially result in an impairment charge in a future period. We will continue to monitor our Wheelabrator business.

Our annual goodwill impairment test also indicated that the estimated fair value of our Eastern Canada Area exceeded its carrying value by approximately 5%. This quantitative assessment also was performed using both an income and market approach. The Eastern Canada Area goodwill balance was \$295 million at October 1, 2012. If we do not achieve our anticipated disposal volumes, our collection or disposal rates decline, our costs or capital expenditures exceed our forecasts, costs of capital increase, or we do not receive anticipated landfill expansions, the estimated fair value of our Eastern Canada Area could decrease and potentially result in an impairment charge in a future period. We will continue to monitor our Eastern Canada Area.

We also incurred \$4 million of charges in 2012 to impair goodwill related to certain of our non-Solid Waste operations as a result of our annual fourth quarter goodwill impairment tests.

We incurred no impairment of goodwill as a result of our annual, fourth quarter goodwill impairment tests in 2011 or 2010. Additionally, we did not encounter any events or changes in circumstances that indicated that an impairment was more likely than not during interim periods in 2011 or 2010. Goodwill impairments, in addition to the charges incurred in 2012, may be incurred at any time in the future.

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Our other intangible assets as of December 31, 2012 and 2011 were comprised of the following (in millions):

	<u>Customer Contracts and Customer Relationships</u>	<u>Covenants Not-to- Compete</u>	<u>Licenses, Permits and Other</u>	<u>Total</u>
December 31, 2012:				
Intangible assets	\$ 426	\$ 97	\$ 127	\$ 650
Less accumulated amortization	(167)	(54)	(32)	(253)
	<u>\$ 259</u>	<u>\$ 43</u>	<u>\$ 95</u>	<u>\$ 397</u>
December 31, 2011:				
Intangible assets	\$ 392	\$ 91	\$ 161	\$ 644
Less accumulated amortization	(119)	(41)	(27)	(187)
	<u>\$ 273</u>	<u>\$ 50</u>	<u>\$ 134</u>	<u>\$ 457</u>

Amortization expense for other intangible assets was \$69 million for 2012, \$51 million for 2011, and \$41 million for 2010. At December 31, 2012, we had \$29 million of licenses, permits and other intangible assets that are not subject to amortization, because they do not have stated expirations or have routine, administrative renewal processes. Additional information related to other intangible assets acquired through business combinations is included in Note 19. As of December 31, 2012, expected annual amortization expense related to other intangible assets is \$65 million in 2013; \$55 million in 2014; \$47 million in 2015; \$42 million in 2016; and \$37 million in 2017.

7. Debt

The following table summarizes the major components of debt at each balance sheet date (in millions) and provides the maturities and interest rate ranges of each major category as of December 31, 2012:

	<u>2012</u>	<u>2011</u>
Revolving credit facility, maturing May 2016 (weighted average interest rate of 1.4% at December 31, 2012 and 1.5% at December 31, 2011)	\$ 400	\$ 150
Letter of credit facilities, maturing through June 2015	—	—
Canadian credit facility, maturing November 2017 (weighted average effective interest rate of 2.9% at December 31, 2012 and 1.8% at December 31, 2011)	75	137
Senior notes and debentures, maturing through 2039, interest rates ranging from 2.60% to 7.75% (weighted average interest rate of 5.7% at December 31, 2012 and 6.0% at December 31, 2011)	6,305	6,228
Tax-exempt bonds maturing through 2041, fixed and variable interest rates ranging from 0.1% to 7.4% (weighted average interest rate of 2.8% at December 31, 2012 and 3.0% at December 31, 2011)	2,727	2,857
Capital leases and other, maturing through 2055, interest rates up to 12%	409	384
	<u>\$9,916</u>	<u>\$9,756</u>
Current portion of long-term debt	743	631
	<u>\$9,173</u>	<u>\$9,125</u>

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Debt Classification

As of December 31, 2012, we had (i) \$688 million of debt maturing within twelve months, including \$400 million of borrowings outstanding under the revolving credit facility, U.S.\$75 million of advances outstanding under our Canadian credit facility and \$161 million of tax-exempt bonds and (ii) \$475 million of tax-exempt borrowings subject to repricing within the next twelve months. Based on our intent and ability to refinance a portion of this debt on a long-term basis as of December 31, 2012, we have classified \$420 million of this debt as long-term and the remaining \$743 million as current obligations.

As of December 31, 2012, we also have \$587 million of variable-rate tax-exempt bonds. The interest rates on these bonds are reset on either a daily or weekly basis through a remarketing process. If the remarketing agent is unable to remarket the bonds, the remarketing agent can put the bonds to us. These bonds are supported by letters of credit guaranteeing repayment of the bonds in this event. We classified these borrowings as long-term in our Consolidated Balance Sheet at December 31, 2012 because the borrowings are supported by letters of credit issued under our \$2.0 billion revolving credit facility, which is long-term.

Access to and Utilization of Credit Facilities

Revolving Credit Facility — In May 2011, we amended and restated our \$2.0 billion revolving credit facility as a result of changes in market conditions, which significantly reduced the cost of the facility. We also extended the term through May 2016. This facility provides us with credit capacity to be used for either cash borrowings or to support letters of credit. At December 31, 2012, we had \$400 million of outstanding borrowings and \$933 million of letters of credit issued and supported by the facility. The unused and available credit capacity of the facility was \$667 million as of December 31, 2012.

Letter of Credit Facilities — As of December 31, 2012, we had an aggregate committed capacity of \$505 million under letter of credit facilities with terms ending from June 2013 to June 2015. These facilities are currently being used to back letters of credit issued to support our financial assurance needs. Our letters of credit generally have terms providing for automatic renewal after one year. In the event of an unreimbursed draw on a letter of credit, the amount of the draw paid by the letter of credit provider generally converts into a term loan for the remaining term of the respective facility. Through December 31, 2012, we had not experienced any unreimbursed draws on letters of credit under these facilities. As of December 31, 2012, no borrowings were outstanding under these letter of credit facilities and we had \$13 million of unused and available credit capacity.

Canadian Credit Facility — In November 2005, Waste Management of Canada Corporation, one of our wholly-owned subsidiaries, entered into a credit facility agreement to facilitate WM's repatriation of accumulated earnings and capital from its Canadian subsidiaries. This facility provided the Company with an initial credit capacity of C\$340 million, which had been substantially repaid over time such that the remaining balance outstanding under the credit facility upon its November 2012 maturity was C\$75 million. In November 2012, Waste Management of Canada Corporation and WM Quebec Inc., another of our wholly-owned subsidiaries, entered into a new Canadian credit facility and refinanced the C\$75 million maturity. The 2012 Canadian credit facility provides us with revolving credit capacity up to C\$150 million and matures on November 7, 2017. The 2012 Canadian credit facility also provides for additional term credit that may be drawn in specified circumstances to fund acquisition spending.

Debt Borrowings and Repayments

Revolving Credit Facility — During 2012, we incurred net borrowings of \$250 million under our revolving credit facility. The \$400 million of borrowings outstanding as of December 31, 2012 were incurred for general corporate purposes, including additions to working capital, capital expenditures and the funding of acquisitions and investments. Due to the short-term maturities of these borrowings, we have reported certain of these cash flows on a net basis in the Consolidated Statement of Cash Flows.

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WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Canadian Credit Facility — We repaid \$68 million of net advances under our Canadian credit facility during the year ended December 31, 2012. Due to the short-term maturities of these borrowings, we have reported certain of these cash flows on a net basis in the Consolidated Statements of Cash Flows.

Senior Notes — In September 2012, we issued \$500 million of 2.9% senior notes due September 15, 2022. The net proceeds from the debt issuance were \$495 million. We used a portion of the proceeds to repay \$400 million of 6.375% senior notes that matured in November 2012. All remaining proceeds were used for general corporate purposes.

The remaining change in the carrying value of our senior notes from December 31, 2011 to December 31, 2012 is principally due to fair value hedge accounting for interest rate swap contracts. Refer to Note 8 for additional information regarding our interest rate derivatives.

Tax-Exempt Bonds — During the year ended December 31, 2012, we repaid \$129 million of our tax-exempt bonds with available cash at their scheduled maturities. In addition, we issued \$43 million of tax-exempt bonds, the proceeds of which were used to repay tax-exempt bonds at their scheduled maturities.

Capital Leases and Other — The increase in our capital leases and other debt obligations is primarily due to new leases and borrowings, net of the repayment of various borrowings.

Scheduled Debt Payments — Principal payments of our debt and capital leases for the next five years, based on their contractual terms, are as follows: \$695 million in 2013; \$468 million in 2014; \$462 million in 2015; \$728 million in 2016; and \$281 million in 2017. Our recorded debt and capital lease obligations include non-cash adjustments associated with discounts, premiums and fair value adjustments for interest rate hedging activities, which have been excluded from these amounts because they will not result in cash payments.

Secured Debt

Our debt balances are generally unsecured, except for capital leases and the note payable associated with our investment in federal low-income housing tax credits.

Debt Covenants

Our revolving credit facility and certain other financing agreements contain financial covenants. The most restrictive of these financial covenants are contained in our revolving credit facility and Canadian credit facility. The following table summarizes the requirements of these financial covenants, as defined by the facilities:

Interest coverage ratio	> 2.75 to 1
Total debt to EBITDA	< 3.5 to 1

Our credit facilities and senior notes also contain certain restrictions intended to monitor our level of indebtedness, types of investments and net worth. We monitor our compliance with these restrictions, but do not believe that they significantly impact our ability to enter into investing or financing arrangements typical for our business. As of December 31, 2012 and 2011, we were in compliance with the covenants and restrictions under all of our debt agreements.

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Derivative Instruments and Hedging Activities

The following table summarizes the fair values of derivative instruments recorded in our Consolidated Balance Sheet (in millions):

<u>Derivatives Designated as Hedging Instruments</u>	<u>Balance Sheet Location</u>	<u>December 31,</u>	
		<u>2012</u>	<u>2011</u>
Electricity commodity derivatives	Current other assets	\$ 1	\$ 5
Interest rate derivatives	Long-term other assets	—	73
Total derivative assets		<u>\$ 1</u>	<u>\$ 78</u>
Interest rate derivatives	Current accrued liabilities	\$ —	\$ 42
Electricity commodity derivatives	Current accrued liabilities	5	—
Foreign currency derivatives	Current accrued liabilities	11	—
Foreign currency derivatives	Long-term accrued liabilities	—	2
Interest rate derivatives	Long-term accrued liabilities	42	32
Total derivative liabilities		<u>\$ 58</u>	<u>\$ 76</u>

We have not offset fair value amounts recognized for our derivative instruments. For information related to the inputs used to measure our derivative assets and liabilities at fair value, refer to Note 18.

Fair Value Hedges***Interest Rate Swaps***

We have used interest rate swaps to maintain a portion of our debt obligations at variable market interest rates. As of December 31, 2012 and 2011, we had approximately \$6.2 billion and \$6.1 billion, respectively, in fixed-rate senior notes outstanding. As of December 31, 2011, the interest payments on \$1 billion, or 16%, of these senior notes were swapped to variable interest rates to protect the debt against changes in fair value due to changes in benchmark interest rates. In April 2012, we elected to terminate our interest rate swaps and, upon termination, we received \$76 million in cash for their fair value plus accrued interest receivable. The terminated interest rate swaps were associated with our senior notes that matured in November 2012 and additional senior notes that are scheduled to mature through 2018. The associated fair value adjustments to long-term debt are being amortized as a reduction to interest expense over the remaining terms of the underlying debt using the effective interest method. The cash proceeds received from our termination of the swaps have been classified as a change in "Other assets" within "Net cash provided by operating activities" in the Consolidated Statement of Cash Flows.

We designated our interest rate swaps as fair value hedges of our fixed-rate senior notes. Fair value hedge accounting for interest rate swap contracts increased the carrying value of our debt instruments by \$79 million as of December 31, 2012 and \$102 million as of December 31, 2011. The following table summarizes the fair value adjustments from interest rate swap agreements at December 31 (in millions):

<u>Increase in Carrying Value of Debt Due to Hedge Accounting for Interest Rate Swaps</u>	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Senior notes:		
Active swap agreements	\$—	\$ 73
Terminated swap agreements	79	29
	<u>\$79</u>	<u>\$102</u>

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Gains or losses on the derivatives as well as the offsetting losses or gains on the hedged items attributable to our interest rate swaps are recognized in current earnings. We include gains and losses on our interest rate swaps as adjustments to interest expense, which is the same financial statement line item where offsetting gains and losses on the related hedged items are recorded. The following table summarizes the fair value adjustments from active interest rate swaps and the underlying hedged items on our results of operations (in millions):

<u>Derivatives Designated as Fair Value Hedges</u>	<u>Statement of Operations Classification</u>	<u>Years Ended December 31</u>					
		<u>Gain (Loss) on Swap</u>			<u>Gain (Loss) on Fixed-Rate Debt</u>		
		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Interest rate swaps	Interest expense	\$ (1)	\$ 35	\$ 6	\$ 1	\$ (35)	\$ (6)

We also recognize the impacts of (i) net periodic settlements of current interest on our active interest rate swaps and (ii) the amortization of previously terminated interest rate swap agreements as adjustments to interest expense. The following table summarizes the impact of periodic settlements of active swap agreements and the impact of terminated swap agreements on our results of operations (in millions):

<u>Decrease to Interest Expense Due to Hedge Accounting for Interest Rate Swaps</u>	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Periodic settlements of active swap agreements(a),(b)	\$ 8	\$ 23	\$ 29
Terminated swap agreements (b)	22	12	18
	<u>\$ 30</u>	<u>\$ 35</u>	<u>\$ 47</u>

- (a) These amounts represent the net of our periodic variable-rate interest obligations and the swap counterparties' fixed-rate interest obligations. Our swaps provided us to receive fixed interest rates ranging from 5.00% to 7.125% and pay floating interest rates based on spreads from three-month LIBOR ranging from (0.205)% to 5.53%.
- (b) Due to our election to terminate our interest rate swap portfolio with a notional amount of \$1 billion in April 2012, periodic settlements of active swap agreements have decreased and amortization to interest expense of terminated swap agreements has increased.

Cash Flow Hedges*Forward-Starting Interest Rate Swaps*

In 2009, we entered into forward-starting interest rate swaps with a total notional value of \$525 million to hedge the risk of changes in semi-annual interest payments due to fluctuations in the forward ten-year LIBOR swap rate for anticipated fixed-rate debt issuances in 2011, 2012 and 2014. We designated these forward-starting interest rate swaps as cash flow hedges.

During the first quarter of 2011 and the third quarter of 2012, \$150 million and \$200 million, respectively, of these forward-starting interest rate swaps were terminated contemporaneously with the actual issuance of senior notes in February 2011 and September 2012, respectively, and we paid cash of \$9 million and \$59 million, respectively, to settle the liabilities related to these swap agreements. The ineffectiveness recognized upon termination of these hedges was immaterial and the related deferred losses continue to be recognized as a component of "Accumulated other comprehensive income." The deferred losses are being amortized as an increase to interest expense over the ten-year life of the related senior note issuances using the effective interest method. As of December 31, 2012, \$7 million (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

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The active forward-starting interest rate swaps outstanding as of December 31, 2012 relate to an anticipated debt issuance in March 2014. As of December 31, 2012, the fair value of these active interest rate derivatives was comprised of \$42 million of long-term liabilities compared with \$32 million of long-term liabilities as of December 31, 2011.

Treasury Rate Locks

At December 31, 2012 and 2011, our “Accumulated other comprehensive income” included \$12 million and \$19 million, respectively, of deferred losses associated with Treasury rate locks that had been executed in previous years in anticipation of senior note issuances. These deferred losses are reclassified as an increase to interest expense over the life of the related senior note issuances, which extend through 2032. As of December 31, 2012, \$2 million (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

Foreign Currency Derivatives

We use foreign currency exchange rate derivatives to hedge our exposure to fluctuations in exchange rates for anticipated intercompany cash transactions between WM Holdings and its Canadian subsidiaries.

In December 2010, our previously existing intercompany note and related forward contracts matured. Upon their maturity, we paid cash of U.S.\$37 million to settle the forward contracts and we executed a new C\$370 million intercompany debt arrangement and entered into new forward contracts for the related principal and interest cash flows. The total notional value of the new forward contracts was C\$401 million at December 31, 2010. Interest of C\$10 million and C\$11 million was paid on November 30, 2011 and 2012, respectively, and the related forward contracts matured, resulting in a remaining notional value of C\$380 million at December 31, 2012. The principal and C\$10 million of interest are scheduled to be repaid on October 31, 2013. We designated these forward contracts as cash flow hedges. Gains or losses on the underlying hedged items attributable to foreign currency exchange risk are recognized in current earnings. Ineffectiveness has been included in other income and expense during each of the reported periods.

Electricity Commodity Derivatives

We use “receive fixed, pay variable” electricity commodity swaps to reduce the variability in our revenues and cash flows caused by fluctuations in the market prices for electricity. We hedged 672,360 megawatt hours, or approximately 26%, of Wheelabrator’s 2010 merchant electricity sales, 1.55 million megawatt hours, or approximately 50%, of the segment’s 2011 merchant electricity sales and 628,800 megawatt hours, or approximately 20%, of the segment’s 2012 merchant electricity sales. The swaps executed through December 31, 2012 are expected to hedge about 1.6 million megawatt hours, or approximately 49%, of Wheelabrator’s 2013 merchant electricity sales.

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Amounts reported in other comprehensive income and accumulated other comprehensive income are reported net of tax. The following table summarizes the pre-tax impacts of our cash flow derivatives on our comprehensive income and results of operations (in millions):

<u>Derivatives Designated as Cash Flow Hedges</u>	<u>Amount of Derivative Gain (Loss) Recognized in OCI (Effective Portion) Years Ended December 31,</u>			<u>Statement of Operations Classification</u>	<u>Derivative Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>		<u>2012</u>	<u>2011</u>	<u>2010</u>
Forward-starting interest rate swaps	\$ (27)	\$ (59)	\$ (33)	Interest expense	\$ (3)	\$ (1)	\$ —
Treasury rate locks	—	—	(11)	Interest expense	(7)	(7)	(8)
Foreign currency derivatives	(9)	1	(22)	Other income (expense)	(15)	4	(18)
Electricity commodity derivatives	—	8	(5)	Operating revenues (expense)	10	2	(4)
	<u>\$ (36)</u>	<u>\$ (50)</u>	<u>\$ (71)</u>		<u>\$ (15)</u>	<u>\$ (2)</u>	<u>\$ (30)</u>

There was no significant ineffectiveness associated with our cash flow hedges during the years ended December 31, 2012, 2011 or 2010.

Credit-Risk-Related Contingent Features

Our interest rate derivative instruments have in the past and may in the future contain provisions related to the Company's credit rating. These provisions generally provide that if the Company's credit rating were to fall to specified levels below investment grade, the counterparties have the ability to terminate the derivative agreements, resulting in settlement of all affected transactions. As of December 31, 2012 and 2011, we did not have any interest rate derivatives outstanding that contained these credit-risk related features.

9. Income Taxes

Provision for Income Taxes

Our "Provision for income taxes" consisted of the following (in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current:			
Federal	\$ 268	\$ 240	\$ 354
State	72	38	99
Foreign	36	35	22
	<u>376</u>	<u>313</u>	<u>475</u>
Deferred:			
Federal	48	162	85
State	17	36	64
Foreign	2	—	5
	<u>67</u>	<u>198</u>	<u>154</u>
Provision for income taxes	<u>\$ 443</u>	<u>\$ 511</u>	<u>\$ 629</u>

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The U.S. federal statutory income tax rate is reconciled to the effective rate as follows:

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Income tax expense at U.S. federal statutory rate	35.00%	35.00%	35.00%
State and local income taxes, net of federal income tax benefit	3.85	3.46	4.50
Miscellaneous federal tax credits	(4.13)	(3.29)	(1.67)
Noncontrolling interests	(1.16)	(1.11)	(1.05)
Taxing authority audit settlements and other tax adjustments	(0.02)	(0.47)	0.54
Nondeductible costs relating to acquired intangibles	0.06	0.08	0.11
Tax rate differential on foreign income	(0.96)	(0.70)	(0.39)
Cumulative effect of change in tax rates	0.18	0.12	1.74
Other	<u>1.13</u>	<u>0.52</u>	<u>(0.25)</u>
Provision for income taxes	<u>33.95%</u>	<u>33.61%</u>	<u>38.53%</u>

The comparability of our income taxes for the reported periods has been primarily affected by variations in our income before income taxes, tax audit settlements, changes in effective state and Canadian statutory tax rates, realization of federal and state net operating loss and credit carry-forwards, and miscellaneous federal tax credits. For financial reporting purposes, income before income taxes showing domestic and foreign sources was as follows (in millions) for the years ended December 31, 2012, 2011 and 2010:

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Domestic	<u>\$1,175</u>	<u>\$1,394</u>	<u>\$1,517</u>
Foreign	<u>128</u>	<u>126</u>	<u>114</u>
Income before income taxes	<u>\$1,303</u>	<u>\$1,520</u>	<u>\$1,631</u>

Tax Audit Settlements — The Company and its subsidiaries file income tax returns in the United States, Canada and Puerto Rico, as well as various state and local jurisdictions. We are currently under audit by the IRS and from time to time we are audited by other taxing authorities. Our audits are in various stages of completion.

During 2012 we settled various tax audits. The settlement of these tax audits resulted in a reduction to our provision for income taxes of \$10 million, or \$0.02 per diluted share, for the year ended December 31, 2012.

During 2011 we settled various state tax audits. The settlement of these tax audits resulted in a reduction to our provision for income taxes of \$12 million, or \$0.03 per diluted share, for the year ended December 31, 2011.

During 2010, we settled the IRS audit for the 2009 tax year as well as various state tax audits. In addition, we finalized audits in Canada through 2005. The settlement of these tax audits resulted in a reduction to our provision for income taxes of \$8 million, or \$0.02 per diluted share, for the year ended December 31, 2010.

We are currently in the examination phase of IRS audits for the tax years 2012 and 2013 and expect these audits to be completed within the next 12 and 24 months, respectively. We participate in the IRS's Compliance Assurance Program, which means we work with the IRS throughout the year in order to resolve any material issues prior to the filing of our year-end tax return. We are also currently undergoing audits by various state and local jurisdictions that date back to 2000. We are not currently under audit in Canada and due to the expiration of statute of limitations all tax years prior to 2008 are closed. On July 28, 2011, we acquired Oakleaf, which is subject to IRS examinations for years dating back to 2009. Pursuant to the terms of our acquisition of Oakleaf, we are entitled to indemnification for Oakleaf's pre-acquisition tax liabilities.

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State Tax Rate Changes — During 2011, our state deferred income taxes increased by \$3 million to reflect the impact of changes in the estimated tax rate at which existing temporary differences will be realized. During 2010, our current state tax rate increased from 6.25% to 6.75% resulting in an increase to our provision for income taxes of \$5 million. In addition, our state deferred income taxes increased \$37 million to reflect the impact of changes in the estimated tax rate at which existing temporary differences will be realized. The increases in these rates are primarily due to changes in tax law.

Canadian Tax Rate Changes — During 2012, the provincial tax rates in Ontario were increased, which resulted in a \$5 million tax expense as a result of the revaluation of the related deferred tax balances.

State Net Operating Loss and Credit Carry-Forwards — During 2012, 2011 and 2010, we utilized state net operating loss and credit carry-forwards resulting in a reduction to our provision for income taxes for those periods of \$5 million, \$4 million and \$4 million, respectively.

Federal Net Operating Loss Carry-Forwards — During 2012 we recognized additional federal net operating loss, or NOL, carry-forwards resulting in a reduction to our provision for income taxes of \$8 million. As a result of the acquisition of Oakleaf in 2011, we received income tax attributes (primarily federal and state net operating losses) and allocated a portion of the purchase price to these acquired assets. At the time of the acquisition, we fully recognized all of the tax attributes identified by the seller and concluded the realization of these attributes would not affect our overall provision for income taxes. In the third quarter of 2012, as a result of new information, we recognized the above referenced tax benefit related to additional Oakleaf federal net operating losses received in the acquisition.

Investment in Refined Coal Facility — In January 2011, we acquired a noncontrolling interest in a limited liability company, which was established to invest in and manage a refined coal facility in North Dakota. The facility's refinement processes qualify for federal tax credits that are expected to be realized through 2019 in accordance with Section 45 of the Internal Revenue Code. Our initial consideration for this investment consisted of a cash payment of \$48 million.

We account for our investment in this entity using the equity method of accounting, recognizing our share of the entity's results and other reductions in "Equity in net losses of unconsolidated entities," within our Consolidated Statement of Operations. During the years ended December 31, 2012 and 2011, we recognized \$7 million and \$6 million, respectively, of net losses resulting from our share of the entity's operating losses. Our tax provision for the years ended December 31, 2012 and 2011 was reduced by \$21 million and \$17 million, respectively, primarily as a result of tax credits realized from this investment. See Note 20 for additional information related to this investment.

Investment in Federal Low-income Housing Tax Credits — In April 2010, we acquired a noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties. The entity's low-income housing investments qualify for federal tax credits that are expected to be realized through 2020 in accordance with Section 42 of the Internal Revenue Code.

We account for our investment in this entity using the equity method of accounting. We recognize our share of the entity's results and reductions in value of our investment in "Equity in net losses of unconsolidated entities," within our Consolidated Statement of Operations. The value of our investment decreases as the tax credits are generated and utilized. During the years ended December 31, 2012, 2011 and 2010, we recognized \$24 million, \$23 million and \$19 million of losses relating to our equity investment in this entity, \$7 million, \$8 million and \$5 million of interest expense, and a reduction in our tax provision of \$38 million (including \$26 million of tax credits), \$38 million (including \$26 million of tax credits) and \$26 million (including \$16 million of tax credits), respectively. See Note 20 for additional information related to this investment.

Unremitted Earnings in Foreign Subsidiaries — At December 31, 2012, remaining unremitted earnings in foreign operations were approximately \$850 million, which are considered permanently invested and, therefore,

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no provision for U.S. income taxes has been accrued for these unremitted earnings. Determination of the unrecognized deferred U.S. income tax liability is not practicable due to uncertainties related to the timing and source of any potential distribution of such funds, along with other important factors such as the amount of associated foreign tax credits.

Deferred Tax Assets (Liabilities)

The components of the net deferred tax assets (liabilities) at December 31 are as follows (in millions):

	December 31,	
	2012	2011
Deferred tax assets:		
Net operating loss, capital loss and tax credit carry-forwards	\$ 189	\$ 175
Landfill and environmental remediation liabilities	—	17
Miscellaneous and other reserves, net	301	286
Subtotal	490	478
Valuation allowance	(120)	(100)
Deferred tax liabilities:		
Landfill and environmental remediation liabilities	(11)	—
Property and equipment	(1,180)	(1,204)
Goodwill and other intangibles	(1,050)	(980)
Net deferred tax liabilities	<u><u>\$(1,871)</u></u>	<u><u>\$(1,806)</u></u>

The valuation allowance increased by \$20 million in 2012 due to changes in our capital loss carry-forward and changes in our state NOL and credit carry-forwards.

At December 31, 2012, we had \$91 million of federal NOL carry-forwards and \$1.6 billion of state NOL carry-forwards. The federal and state NOL carry-forwards have expiration dates through the year 2032. We also have a \$104 million capital loss carry-forward that expires in 2014. In addition, we have \$42 million of state tax credit carry-forwards at December 31, 2012.

We have established valuation allowances for uncertainties in realizing the benefit of certain tax loss and credit carry-forwards and other deferred tax assets. While we expect to realize the deferred tax assets, net of the valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation.

Liabilities for Uncertain Tax Positions

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, including accrued interest for 2012, 2011 and 2010 is as follows (in millions):

	2012	2011	2010
Balance at January 1	\$49	\$ 53	\$ 75
Additions based on tax positions related to the current year	15	9	5
Additions based on tax positions of prior years	—	—	—
Additions due to acquisitions	—	2	—
Accrued interest	2	2	3
Reductions for tax positions of prior years	(1)	—	(1)
Settlements	(4)	(10)	(23)
Lapse of statute of limitations	(7)	(7)	(6)
Balance at December 31	<u><u>\$54</u></u>	<u><u>\$ 49</u></u>	<u><u>\$ 53</u></u>

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These liabilities are primarily included as a component of long-term “Other liabilities” in our Consolidated Balance Sheets because the Company generally does not anticipate that settlement of the liabilities will require payment of cash within the next twelve months. As of December 31, 2012, \$38 million of net unrecognized tax benefits, if recognized in future periods, would impact our effective tax rate.

We recognize interest expense related to unrecognized tax benefits in tax expense. During the years ended December 31, 2012, 2011 and 2010 we recognized approximately \$2 million, \$2 million and \$3 million, respectively, of such interest expense as a component of our provision for income taxes. We had approximately \$7 million of accrued interest in our Consolidated Balance Sheets as of December 31, 2012 and 2011. We do not have any accrued liabilities or expense for penalties related to unrecognized tax benefits for the years ended December 31, 2012, 2011 and 2010.

We are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. We anticipate that approximately \$14 million of liabilities for unrecognized tax benefits, including accrued interest, and \$3 million of related deferred tax assets may be reversed within the next 12 months. The anticipated reversals are related to state tax items, none of which are material, and are expected to result from audit settlements or the expiration of the applicable statute of limitations period. In addition, there are federal items related to the tax implications of the book impairments discussed in Note 13 that also are anticipated to reverse within the next 12 months.

Recent Legislation

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and includes an extension for one year of the 50% bonus depreciation allowance. The provision specifically applies to qualifying property placed in service before January 1, 2014. The acceleration of deductions on 2012 qualifying capital expenditures resulting from the bonus depreciation provision had no impact on our 2012 effective tax rate.

10. Employee Benefit Plans

Defined Contribution Plans — Our Waste Management retirement savings plans are 401(k) plans that cover employees, except those working subject to collective bargaining agreements that do not allow for coverage under such plans. Employees are generally eligible to participate in the plans following a 90-day waiting period after hire and may contribute as much as 25% of their annual compensation, subject to annual contribution limitations established by the IRS. Under our largest retirement savings plan, we match, in cash, 100% of employee contributions on the first 3% of their eligible compensation and 50% of employee contributions on the next 3% of their eligible compensation, resulting in a maximum match of 4.5%. Both employee and Company contributions vest immediately. Charges to “Operating” and “Selling, general and administrative” expenses for our defined contribution plans were \$63 million in 2012, \$61 million in 2011 and \$55 million in 2010.

Defined Benefit Plans (other than multiemployer defined benefit plans discussed below) — Certain of the Company’s subsidiaries sponsor pension plans that cover employees not otherwise covered by the Waste Management retirement savings plans. These employees are members of collective bargaining units. In addition, Wheelabrator Technologies Inc., a wholly-owned subsidiary, sponsors a pension plan for its former executives and former Board members. As of December 31, 2012, the combined benefit obligation of these pension plans was \$105 million, and the plans had \$73 million of plan assets, resulting in an unfunded benefit obligation for these plans of \$32 million.

In addition, WM Holdings and certain of its subsidiaries provided post-retirement health care and other benefits to eligible employees. In conjunction with our acquisition of WM Holdings in July 1998, we limited participation in these plans to participating retired employees as of December 31, 1998. The unfunded benefit obligation for these plans was \$40 million at December 31, 2012.

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Our accrued benefit liabilities for our defined benefit pension and other post-retirement plans are \$72 million as of December 31, 2012 and are included as components of “Accrued liabilities” and long-term “Other liabilities” in our Consolidated Balance Sheet.

Multiemployer Defined Benefit Pension Plans — We are a participating employer in a number of trustee-managed multiemployer, defined benefit pension plans for employees who participate in collective bargaining agreements. The risks of participating in these multiemployer plans are different from single-employer plans in that (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be assumed by the remaining participating employers; and (iii) if we choose to stop participating in any of our multiemployer plans, we may be required to pay those plans a withdrawal amount based on the underfunded status of the plan. The following table outlines our participation in multiemployer plans considered to be individually significant (dollar amounts in millions):

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Reported Status(a)		FIP/RP Status(b),(c)	Company Contributions(d)			Expiration Date of Collective Bargaining Agreement
		2012	2011		2012	2011	2010	
Automotive Industries Pension Plan	EIN: 94-1133245; Plan Number: 001	Critical	Critical	Implemented	\$ 1	\$ 1	\$ 1	Various dates through 8/31/2014
Central States, Southeast and Southwest Areas Pension Plan	EIN: 36-6044243; Plan Number: 001	Critical	Critical	Implemented	—	—	—	(e)
Distributors Association Warehousemen Pension Trust	EIN: 94-0294755 Plan Number: 002	Critical as of 5/31/2011	Critical as of 5/31/2010	Implemented	1	1	1	5/31/2010; negotiations ongoing
Local 731 Private Scavengers and Garage Attendants Pension Trust Fund	EIN: 36-6513567; Plan Number: 001	Endangered as of 9/30/2011	Endangered as of 9/30/2010	Implemented	5	4	4	9/30/2013 and 9/30/2014
New England Teamsters and Trucking Industry Pension Fund	EIN: 04-6372430; Plan Number: 001	Critical as of 9/30/2011	Critical as of 9/30/2010	Implemented	—	—	—	2/28/2013
Suburban Teamsters of Northern Illinois Pension Plan	EIN: 36-6155778; Plan Number: 001	Critical	Critical	Implemented	2	2	2	Various dates through 3/31/2015
Teamsters Employers Local 945 Pension Fund	EIN: 22-6196388; Plan Number: 001	Critical	Critical	Implemented	—	—	—	Various dates through 12/31/2015
Western Conference of Teamsters Pension Plan	EIN: 91-6145047; Plan Number: 001	Not Endangered or Critical	Not Endangered or Critical	Not Applicable	22	20	20	Various dates through 5/31/2018
Western Pennsylvania Teamsters and Employers Pension Plan	EIN: 25-6029946; Plan Number: 001	Critical	Critical	Implemented	1	1	1	12/31/2016
					\$ 32	\$ 29	\$ 29	
Contributions to other multiemployer pension plans					7	7	7	
Total contributions to multiemployer pension plans					\$ 39	\$ 36	\$ 36	

- (a) Unless otherwise noted in the table, the most recent Pension Protection Act zone status available in 2012 and 2011 is for the plan’s year-end at December 31, 2011 and 2010, respectively. The zone status is based on information that we received from the plan and is certified by the plan’s actuary. As defined in the Pension Protection Act of 2006, among other factors, plans reported as critical are generally less than 65% funded and plans reported as endangered are generally less than 80% funded.
- (b) The “FIP/RP Status” column indicates plans for which a Funding Improvement Plan (“FIP”) or a Rehabilitation Plan (“RP”) is either pending or has been implemented.

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- (c) A multiemployer defined benefit pension plan that has been certified as endangered, seriously endangered or critical may begin to levy a statutory surcharge on contribution rates. Once authorized, the surcharge is at the rate of 5% for the first 12 months and 10% for any periods thereafter. Contributing employers, however, may eliminate the surcharge by entering into a collective bargaining agreement that meets the requirements of the applicable FIP or RP.
- (d) The Company was listed in the Form 5500 as providing more than 5% of the total contributions for each of the following plans and plan years:

	<u>Year Contributions to Plan Exceeded 5% of Total Contributions (as of Plan's Year End)</u>
Distributors Association Warehousemens Pension Trust	5/31/2011 and 5/31/2010
Local 731 Private Scavengers and Garage Attendants Pension Trust Fund	9/30/2011 and 9/30/2010
Suburban Teamsters of Northern Illinois Pension Plan	12/31/2011 and 12/31/2010

At the date the financial statements were issued, Forms 5500 were not available for the plan years ended in 2012.

- (e) While the subject of pending litigation, the Company has no collective bargaining agreements remaining that require contributions to this fund.

Our portion of the projected benefit obligation, plan assets and unfunded liability of the multiemployer pension plans is not material to our financial position. However, the failure of participating employers to remain solvent could affect our portion of the plans' unfunded liability. Specific benefit levels provided by union pension plans are not negotiated with or known by the employer contributors.

In connection with our ongoing renegotiations of various collective bargaining agreements, we may discuss and negotiate for the complete or partial withdrawal from one or more of these pension plans. If we elect to withdraw from these plans, we may incur expenses associated with our obligations for unfunded vested benefits at the time of the withdrawal. As discussed in Note 11, in 2012 and 2010, we recognized aggregate charges of \$10 million and \$26 million, respectively, to "Operating" expenses for the withdrawal of certain bargaining units from multiemployer pension plans.

11. Commitments and Contingencies

Financial Instruments — We have obtained letters of credit, performance bonds and insurance policies and have established trust funds and issued financial guarantees to support tax-exempt bonds, contracts, performance of landfill final capping, 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. These facilities are discussed further in Note 7. We obtain surety bonds and insurance policies from an entity in which we have a noncontrolling financial interest. We also 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 financial assurance from entities we own or have financial interests in is not allowed, we have available alternative financial assurance mechanisms.

Management does not expect that any claims against or draws on these instruments would have a material adverse effect on our consolidated financial statements. We have not experienced any unmanageable difficulty in obtaining the required financial assurance instruments for our current operations. In an ongoing effort to mitigate risks of future cost increases and reductions in available capacity, we continue to evaluate various options to access cost-effective sources of financial assurance.

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Insurance — We carry insurance coverage for protection of our assets and operations from certain risks including automobile liability, general liability, real and personal property, workers' compensation, directors' and officers' liability, pollution legal liability and other coverages 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. Our exposure, however, could increase if our insurers are unable to meet their commitments on a timely basis.

We have retained a significant portion of the risks related to our automobile, general liability and workers' compensation claims programs. "General liability" refers to the self-insured portion of specific third party claims made against us that may be covered under our commercial General Liability Insurance Policy. 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 accruals for these liabilities could be revised if future occurrences or loss development significantly differ from our assumptions used. As of December 31, 2012, our commercial General Liability Insurance Policy carried self-insurance exposures of up to \$2.5 million per incident and our workers' compensation insurance program carried self-insurance exposures of up to \$5 million per incident. As of December 31, 2012, our auto liability insurance program included a per-incident base deductible of \$5 million, subject to additional deductibles of \$4.8 million in the \$5 million to \$10 million layer. Self-insurance claims reserves acquired as part of our acquisition of WM Holdings in July 1998 were discounted at 1.75% at December 31, 2012, 2.0% at December 31, 2011 and 3.50% at December 31, 2010. The changes to our net insurance liabilities for the three years ended December 31, 2012 are summarized below (in millions):

	Gross Claims Liability	Receivables Associated with Insured Claims (a)	Net Claims Liability
Balance, December 31, 2009	\$ 541	\$ (194)	\$ 347
Self-insurance expense (benefit)	179	(38)	141
Cash (paid) received	(197)	62	(135)
Balance, December 31, 2010	523	(170)	353
Self-insurance expense (benefit)	176	(14)	162
Cash (paid) received	(188)	23	(165)
Balance, December 31, 2011	511	(161)	350
Self-insurance expense (benefit)	222	(59)	163
Cash (paid) received	(164)	18	(146)
Balance, December 31, 2012(b)	<u>\$ 569</u>	<u>\$ (202)</u>	<u>\$ 367</u>
Current portion at December 31, 2012	\$ 109	\$ (19)	\$ 90
Long-term portion at December 31, 2012	\$ 460	\$ (183)	\$ 277

(a) Amounts reported as receivables associated with insured claims are related to both paid and unpaid claims liabilities.

(b) We currently expect substantially all of our net claims liability to be settled in cash over the next five years.

The Directors' and Officers' Liability Insurance policy we choose to maintain covers only individual executive liability, often referred to as "Broad Form Side A," and does not provide corporate reimbursement coverage, often referred to as "Side B." The Side A policy covers directors and officers directly for loss, including defense costs, when corporate indemnification is unavailable. Side A-only coverage cannot be exhausted by payments to the Company, as the Company is not insured for any money it advances for defense costs or pays as indemnity to the insured directors and officers.

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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.

Operating Leases — Rental expense for leased properties was \$180 million during 2012, \$138 million during 2011 and \$121 million during 2010. Minimum contractual payments due for our operating lease obligations are \$106 million in 2013, \$92 million in 2014, \$78 million in 2015, \$61 million in 2016, \$54 million in 2017 and \$465 million thereafter.

Our minimum contractual payments for lease agreements during future periods is significantly less than current year rent expense due to short-term leases and because our significant lease agreements at landfills have variable terms based either on a percentage of revenue or a rate per ton of waste received.

Other Commitments

Fuel Supply — We have purchase agreements expiring at various dates through 2025 that require us to purchase minimum amounts of wood waste, anthracite coal waste (culm) and conventional fuels at our independent power production plants. These fuel supplies are used to produce steam that is sold to industrial and commercial users and electricity that is sold to electric utilities, which is generally subject to the terms and conditions of long-term contracts. Our purchase agreements have been established based on the plants' anticipated fuel supply needs to meet the demands of our customers under these long-term electricity sale contracts. Under our fuel supply take-or-pay contracts, we are generally obligated to pay for a minimum amount of waste or conventional fuel at a stated rate even if such quantities are not required in our operations.

Disposal — We have several agreements expiring at various dates through 2052 that require us to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, we are required to pay for the agreed upon minimum volumes regardless of the actual number of tons placed at the facilities. We generally fulfill our minimum contractual obligations by disposing of volumes collected in the ordinary course of business at these disposal facilities.

Waste Paper — We are party to waste paper purchase agreements expiring at various dates through 2017 that require us to purchase a minimum number of tons of waste paper. The cost per ton we pay is based on market prices.

Royalties — We have various arrangements that require us to make royalty payments to third parties including prior land owners, lessors or host communities where our operations are located. Our obligations generally are based on per ton rates for waste actually received at our transfer stations, landfills or waste-to-energy facilities. Royalty agreements that are non-cancelable and require fixed or minimum payments are recorded as obligations in our Consolidated Balance Sheet.

Our unconditional obligations are established in the ordinary course of our business and are structured in a manner that provides us with access to important resources at competitive, market-driven rates. Our actual future minimum obligations under these outstanding agreements are generally quantity driven and, as a result, our associated financial obligations are not fixed as of December 31, 2012. For contracts that require us to purchase minimum quantities of goods or services, we have estimated our future minimum obligations based on the current market values of the underlying products or services. As of December 31, 2012, our estimated minimum obligations for the above-described purchase obligations, which are not recognized in our Consolidated Balance Sheet, were \$135 million in 2013, \$83 million in 2014, \$43 million in 2015, \$24 million in 2016, \$16 million in 2017 and \$230 million thereafter. We currently expect the products and services provided by these agreements to continue to meet the needs of our ongoing operations. Therefore, we do not expect these established arrangements to materially impact our future financial position, results of operations or cash flows.

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Credit Commitments — In the first quarter of 2012, we formed a U.K. joint venture, together with a commercial waste management company, to develop a waste-to-energy and recycling facility in England. In connection with this investment, we are committed to provide funding up to £57 million, or \$93 million based on the exchange rate as of December 31, 2012, to be used for the development and construction of the facility. Additional information related to this investment is included in Note 20.

Additionally, in the second quarter of 2012, we invested in another U.K. joint venture, together with an electric utility company, to develop a waste-to-energy and recycling facility in England. In connection with this investment, we are committed to provide funding up to £156 million, or \$253 million based upon the exchange rates at December 31, 2012, to be used for the development and construction of the facility. Through December 31, 2012, we had funded approximately £34 million, or \$54 million, through loans.

In 2011, we made a noncontrolling equity investment in an entity focused on the conversion of municipal solid waste into advanced bio-fuels. In connection with this investment, we agreed to provide the entity with a secured loan facility whereby we would fund up to \$70 million to support the construction of the entity's first bio-fuel facility. Our obligation to fund this secured loan agreement is contingent upon the satisfaction of certain conditions by the borrower. The borrower has until November 2014 to draw on the facility and must repay the loan over a term not to exceed 12 years from the plant's commencement of commercial operations.

Guarantees — We have entered into the following guarantee agreements associated with our operations:

- ##As of December 31, 2012, WM Holdings has fully and unconditionally guaranteed all of WM's senior indebtedness, including its senior notes, revolving credit agreement and certain letter of credit facilities, which mature through 2039. WM has fully and unconditionally guaranteed the senior indebtedness of WM Holdings, which matures in 2026. Performance under these guarantee agreements would be required if either party defaulted on their respective obligations. No additional liabilities have been recorded for these guarantees because the underlying obligations are reflected in our Consolidated Balance Sheets. See Note 23 for further information.
- ##WM and WM Holdings have guaranteed the tax-exempt bonds and other debt obligations of their subsidiaries. If a subsidiary fails to meet its obligations associated with its debt agreements as they come due, WM or WM Holdings will be required to perform under the related guarantee agreement. No additional liabilities have been recorded for these guarantees because the underlying obligations are reflected in our Consolidated Balance Sheets. See Note 7 for information related to the balances and maturities of our tax-exempt bonds.
- ##We have guaranteed certain financial obligations of unconsolidated entities. The related obligations, which mature through 2020, are not recorded on our Consolidated Balance Sheets. As of December 31, 2012, our maximum future payments associated with these guarantees are approximately \$9 million. We do not believe that it is likely that we will be required to perform under these guarantees.
- ##Certain of our subsidiaries have guaranteed the market or contractually-determined value of certain homeowners' properties that are adjacent to certain of our landfills. These guarantee agreements extend over the life of the respective landfill. Under these agreements, we would be responsible for the difference, if any, between the sale value and the guaranteed market or contractually-determined value of the homeowners' properties. As of December 31, 2012, we have agreements guaranteeing certain market value losses for approximately 850 homeowners' properties adjacent to or near 20 of our landfills. We do not believe that these contingent obligations will have a material effect on our financial position, results of operations or cash flows.
- ##We have indemnified the purchasers of businesses or divested assets for the occurrence of specified events under certain of our divestiture agreements. Other than certain identified items that are currently recorded as obligations, we do not believe that it is possible to determine the contingent obligations

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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. We have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. Contingent obligations related to indemnifications arising from our divestitures and contingent consideration provided for by our acquisitions are not expected to be material to our financial position, results of operations or cash flows.

WM and WM Holdings guarantee the service, lease, financial and general operating obligations of certain of their subsidiaries. If such a subsidiary fails to meet its contractual obligations as they come due, the guarantor has an unconditional obligation to perform on its behalf. No additional liability has been recorded for service, financial or general operating guarantees because the subsidiaries' obligations are properly accounted for as costs of operations as services are provided or general operating obligations as incurred. No additional liability has been recorded for the lease guarantees because the subsidiaries' obligations are properly accounted for as operating or capital leases, as appropriate.

We currently do not believe it is reasonably likely that we would be called upon to perform under these guarantees and do not believe that any of the obligations would have a material effect on our financial position, results of operations or cash flows.

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 our operations, or for damage caused by conditions that existed before we acquired a site. In addition to remediation activity required by state or local authorities, such liabilities include potentially responsible party, or PRP, investigations. The costs associated with these liabilities can include settlements, certain legal and consultant fees, as well as incremental internal and external costs directly associated with site investigation and clean-up.

As of December 31, 2012, we had been notified that we are a PRP in connection with 80 locations listed on the EPA's Superfund National Priorities List, or NPL. Of the 80 sites at which claims have been made against us, 16 are sites we own. Each of the NPL sites we own was initially developed by others as a landfill disposal facility. At each of these facilities, we are working in conjunction with the government to characterize or remediate identified site problems, and we have either agreed with other legally liable parties on an arrangement for sharing the costs of remediation or are working toward a cost-sharing agreement. We generally expect to receive any amounts due from other participating parties at or near the time that we make the remedial expenditures. The other 64 NPL sites, which we do not own, are at various procedural stages under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, known as CERCLA or Superfund.

The majority of these proceedings involving NPL sites that we do not own are based on allegations that certain of our subsidiaries (or their predecessors) transported hazardous substances to the sites, often prior to our acquisition of these subsidiaries. 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.

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, or such proceedings are known to be contemplated, unless

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we reasonably believe that the matter will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. The following matters are disclosed in accordance with that requirement. We do not currently believe that the eventual outcome of any such matters, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

On April 4, 2006, the EPA issued a Notice of Violation ("NOV") to Waste Management of Hawaii, Inc., an indirect wholly-owned subsidiary of WM, 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 ("GCCS") for the Waimanalo Gulch Sanitary Landfill on Oahu. The EPA has also indicated that it will seek penalties and injunctive relief as part of the NOV enforcement for elevated landfill temperatures that were recorded after installation of the GCCS. 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 December 22, 2011, the Harris County Attorney in Houston, Texas filed suit against McGinnes Industrial Maintenance Corporation ("MIMC"), WM and Waste Management of Texas, Inc., et. al, seeking civil penalties and attorneys' fees for alleged violations of the Texas Water Code and the Texas Health and Safety Code. The County's Original Petition pending in the District Court of Harris County, Texas alleges the mismanagement of certain waste pits that were operated from 1965 to 1966 by MIMC. In 1998, a predecessor of WM acquired the stock of the parent entity of MIMC.

On April 20, 2012, the Pennsylvania Department of Environmental Protection ("PADEP") transmitted a proposed Consent Order and Agreement to Waste Management Disposal Services of Pennsylvania, Inc. ("WMDSP"), an indirect wholly-owned subsidiary of WM, for alleged violations of Pennsylvania solid waste regulations, including certain operations failures, at the Northwest Sanitary Landfill. In December 2012, WMDSP entered into a consent order with PADEP requiring corrective action and paid a penalty of \$290,000 to resolve the alleged violations.

Additionally, the United States Attorney's Office for the District of Hawaii has commenced an investigation prompted by allegations of violations of the federal Clean Water Act involving discharge of stormwater at the Waimanalo Gulch Sanitary Landfill, located on Oahu, in connection with three major storm events in December 2010 and January 2011. No formal enforcement action has been brought against the Company. While we could potentially be subject to sanctions, including requirements to pay monetary penalties, in connection with a future proceeding that may arise from the investigation, a range of loss cannot currently be estimated because no proceeding has yet commenced and significant factual and legal issues remain. We are cooperating with the U.S. Attorney's Office.

Litigation — In April 2002, certain former participants in the ERISA plans of WM Holdings 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 attempts to increase the recovery of a class of ERISA plan participants on behalf of the plan 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, the litigation against WM in Texas that was settled in 2002, as well as the decision to offer WM common stock as an investment option within the plan beginning in 1990, despite alleged knowledge by at least two members of the investment committee of financial misstatement by WM during the relevant time period.

During the second quarter of 2010, the Court dismissed certain claims against individual defendants, including all claims against each of the current members of our Board of Directors. Previously, plaintiffs dismissed all claims related to the settlement of the securities class action against WM that was settled in 2002, and the court certified a limited class of participants who may bring claims on behalf of the plan, but not

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

individually. During the third quarter of 2011, the Court ruled in favor of WM and two former employees dismissing all claims brought by the plaintiffs related to the decision to offer WM stock as an investment option within the plan. We have reached a settlement with the plaintiffs on this matter, with a proposed class settlement agreement preliminarily approved by the Court on November 15, 2012. We anticipate final approval of the settlement at a hearing scheduled for March 18, 2013. The settlement will not have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

In October 2011 and January 2012, we were named as a defendant in a purported class action in the Circuit Court of Sarasota County, Florida and the Circuit Court of Lawrence County Alabama, respectively. These cases primarily pertain to our fuel and environmental charges included on our invoices, generally alleging that such charges were not properly disclosed, were unfair and were contrary to the customer service contracts. The law firm that filed these lawsuits had filed, in 2008, a purported class action against subsidiaries of WM in Bullock County, Alabama, making similar allegations. The prior Alabama suit was removed to federal court, where the federal court ultimately dismissed the plaintiffs' national class action claims. The plaintiffs then elected to dismiss the case without prejudice. We will vigorously defend against these pending lawsuits. Given the inherent uncertainties of litigation, including the early stage of these cases, the unknown size of any potential class, and legal and factual issues in dispute, the outcome of these cases cannot be predicted and a range of loss cannot currently be estimated.

From time to time, we are also 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. Additionally, we often enter into contractual arrangements with landowners imposing obligations on us to meet certain regulatory or contractual conditions upon site closure or upon termination of the agreements. Compliance with these arrangements is inherently subject to subjective determinations and may result in disputes, including litigation.

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 sales and marketing practices and 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 the eventual outcome of any such actions could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

WM's charter and bylaws provide that WM shall indemnify against all liabilities and expenses, and upon request shall advance expenses to, any person who is subject to a pending or threatened proceeding because such person is a director or officer of the Company. Such indemnification is required to the maximum extent permitted under Delaware law. Accordingly, the director or officer must execute an undertaking to reimburse the Company for any fees advanced if it is later determined that the director or officer was not entitled to have such fees advanced under Delaware law. Additionally, WM has entered into separate indemnification agreements with each of the members of its Board of Directors, its Chief Executive Officer and each of its executive vice

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presidents. Additionally, the employment agreements between WM and its Chief Executive Officer and other executive and senior vice presidents contain a direct contractual obligation of the Company to provide indemnification to the executive. 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 that may be brought against its former or current officers, directors and employees.

Multiemployer Defined Benefit Pension Plans — About 20% of our workforce is covered by collective bargaining agreements with various union locals across the United States and Canada. As a result of some of these agreements, certain of our subsidiaries are participating employers in a number of trustee-managed multiemployer defined benefit pension plans for the affected employees. Refer to Note 10 for additional information about our participation in multiemployer defined benefit pension plans considered individually significant. In connection with our ongoing renegotiation of various collective bargaining agreements, we may discuss and negotiate for the complete or partial withdrawal from one or more of these pension plans. A complete or partial withdrawal from a multiemployer pension plan may also occur if employees covered by a collective bargaining agreement vote to decertify a union from continuing to represent them.

One of the most significant multiemployer pension plans in which we have participated is the Central States, Southeast and Southwest Areas Pension Plan (“Central States Pension Plan”). The Central States Pension Plan is in “critical status,” as defined by the Pension Protection Act of 2006. Since 2008, certain of our affiliates have bargained to remove covered employees from the Central States Pension Plan, resulting in a series of withdrawals. We recognized charges to “Operating” expenses of \$10 million in 2012 and \$26 million in 2010 associated with the withdrawal of certain bargaining units from underfunded multiemployer pension plans. Our partial withdrawal from the Central States Pension Plan accounted for all of our 2010 charges. In October 2011, employees at the last of our affiliates with active participants in the Central States Pension Plan voted to decertify the union that represented them, withdrawing themselves from the Central States Pension Plan.

We are still negotiating and litigating final resolutions of our withdrawal liability for previous withdrawals, including our withdrawal from the Central States Pension Plan mentioned above, but we do not believe any additional liability above the charges we have already recognized for such previous withdrawals could be material to the Company’s business, financial condition, results of operations or cash flows. We also do not believe that any future withdrawals, individually or in the aggregate, from the multiemployer plans to which we contribute, could have a material adverse effect on our business, financial condition or liquidity. However, such withdrawals could have a material adverse effect on our results of operations or cash flows for a particular reporting period, depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan(s) at the time of such withdrawal(s).

Tax Matters — We are currently in the examination phase of IRS audits for the tax years 2012 and 2013 and expect these audits to be completed within the next 12 and 24 months, respectively. We participate in the IRS’s Compliance Assurance Program, which means we work with the IRS throughout the year in order to resolve any material issues prior to the filing of our year-end tax return. We are also currently undergoing audits by various state and local jurisdictions that date back to 2000. We are not currently under audit in Canada and due to the expiration of statute of limitations all tax years prior to 2008 are closed. On July 28, 2011, we acquired Oakleaf, which is subject to IRS examinations for years dating back to 2009. Pursuant to the terms of our acquisition of Oakleaf, we are entitled to indemnification for Oakleaf’s pre-acquisition tax liabilities. We maintain a liability for uncertain tax positions, the balance of which management believes is adequate. Results of audit assessments by taxing authorities are not currently expected to have a material adverse impact on our results of operations or cash flows.

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2012 Restructurings — In July 2012, we announced a reorganization of operations, designed to streamline management and staff support and reduce our cost structure, while not disrupting our front-line operations. Principal organizational changes included removing the management layer of our four geographic Groups, each of which previously constituted a reportable segment, and consolidating and reducing the number of our geographic Areas through which we evaluate and oversee our Solid Waste subsidiaries from 22 to 17. This reorganization eliminated approximately 700 employee positions throughout the Company, including positions at both the management and support level. Voluntary separation arrangements were offered to many in management.

Additionally, in 2012, we recognized employee severance and benefits restructuring charges associated with the reorganization of Oakleaf discussed below that began in 2011 along with certain other actions taken by the Company in early 2012.

During the year ended December 31, 2012, we recognized a total of \$67 million of pre-tax restructuring charges, of which \$56 million were related to employee severance and benefit costs associated with these reorganizations. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized. We do not expect additional charges related to the 2012 restructurings to be material. The following table summarizes the employee severance and benefit costs and other charges recognized for this restructuring for the year ended December 31, 2012 (in millions):

Solid Waste	\$19
Wheelabrator	3
Corporate and Other	<u>45</u>
Total	<u>\$67</u>

2011 Restructurings — Beginning in July 2011, we took steps to streamline our organization as part of our cost savings programs. This reorganization eliminated over 700 employee positions throughout the Company, including approximately 300 open positions. Additionally, subsequent to our acquisition of Oakleaf, we incurred charges in connection with restructuring that organization. During the year ended December 31, 2011, we recognized a total of \$19 million of pre-tax restructuring charges, of which \$18 million were related to employee severance and benefit costs. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized. The following table summarizes the employee severance and benefit costs and other charges recognized for the year ended December 31, 2011 (in millions):

Solid Waste	\$10
Wheelabrator	1
Corporate and Other	<u>8</u>
Total	<u>\$19</u>

Through December 31, 2012, we have paid approximately \$46 million of the employee severance and benefit costs incurred as a result of the combined 2012 and 2011 restructuring efforts.

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13. Asset Impairments and Unusual Items*(Income) expense from divestitures, asset impairments and unusual items*

The following table summarizes the major components of “(Income) expense from divestitures, asset impairments and unusual items” for the year ended December 31 for the respective periods (in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
(Income) expense from divestitures	\$ —	\$ 1	\$ (1)
Asset impairments	83	9	—
Other	—	—	(77)
	<u>\$ 83</u>	<u>\$ 10</u>	<u>\$ (78)</u>

During the year ended December 31, 2012, we recognized impairment charges aggregating \$83 million, attributable in large part to \$45 million of charges related to three facilities in our medical waste services business as a result of projected operating losses at each of these facilities. We wrote down the carrying values of the facilities’ operating permits and property, plant and equipment to their estimated fair values. Our medical waste services business is included in our “Other” operations in Note 21. We also recognized (i) \$20 million of charges related to investments we had made in prior years in waste diversion technologies; (ii) \$6 million for the impairment of an oil & gas well due to projected operating losses; (iii) \$5 million for the impairment of a facility not currently used in our operations and (iv) \$4 million of charges to impair goodwill related to certain of our operations. To determine the appropriate charge for each of these items, we estimated the fair value of the facilities or investments using anticipated future cash flows. These charges are included in our “Other” operations in Note 21.

During the year ended December 31, 2011, we recognized impairment charges relating to two facilities in our medical waste services business, in addition to the three facilities impaired in 2012 and discussed above, as a result of the closure of one site and as a result of continuing operating losses at the other site. We wrote down the net book values of the sites to their estimated fair values.

We filed a lawsuit in March 2008 related to the revenue management software implementation that was suspended in 2007 and abandoned in 2009. In April 2010, we settled the lawsuit and received a one-time cash payment. The settlement increased our “Income from operations” for the year ended December 31, 2010 by \$77 million.

Equity in net losses of unconsolidated entities

During the year ended December 31, 2012, we recognized a charge of \$10 million related to a payment we made under a guarantee on behalf of an unconsolidated entity accounted for under the equity method.

Other income (expense)

During the year ended December 31, 2012, we recognized an impairment charge of \$16 million relating to an other-than-temporary decline in the value of an investment accounted for under the cost method. We wrote down the carrying value of our investment to its fair value based on other third-party investors’ recent transactions in these securities, which are considered to be the best evidence of fair value currently available. This charge is recorded in “Other, net” in our Consolidated Statement of Operations.

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The components of accumulated other comprehensive income, which is included as a component of Waste Management, Inc. stockholders' equity, were as follows (in millions):

	<u>December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Accumulated unrealized loss on derivative instruments, net of taxes of \$(48), \$(39) and \$(20), respectively	\$(74)	\$(62)	\$(33)
Accumulated unrealized gain on available-for-sale securities, net of taxes of \$3, \$1 and \$3, respectively	4	2	5
Foreign currency translation adjustments	276	243	261
Funded status of post-retirement benefit obligations, net of taxes of \$(11), \$(9) and \$(4), respectively	<u>(13)</u>	<u>(11)</u>	<u>(3)</u>
	<u>\$193</u>	<u>\$172</u>	<u>\$230</u>

15. Capital Stock, Dividends and Share Repurchases***Capital Stock***

We have 1.5 billion shares of authorized common stock with a par value of \$0.01 per common share. As of December 31, 2012, we had 464.2 million shares of common stock issued and outstanding. The Board of Directors is authorized to issue preferred stock in series, and with respect to each series, to fix its designation, relative rights (including voting, dividend, conversion, sinking fund, and redemption rights), preferences (including dividends and liquidation) and limitations. We have 10 million shares of authorized preferred stock, \$0.01 par value, none of which is currently outstanding.

Dividends

Our quarterly dividends have been declared and approved by our Board of Directors and paid in accordance with our capital allocation programs. Cash dividends declared and paid were \$658 million in 2012, or \$1.42 per common share, \$637 million in 2011, or \$1.36 per common share and \$604 million in 2010, or \$1.26 per common share.

In December 2012, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.355 to \$0.365 per share for dividends declared in 2013. However, all future dividend declarations are at the discretion of the Board of Directors and depend on various factors, including our net earnings, financial condition, cash required for future business plans and other factors the Board may deem relevant.

Share Repurchases

Our share repurchases have been approved by our Board of Directors. In December 2011, our Board of Directors authorized us to repurchase up to \$500 million of our common stock. This authorization expired in December 2012, and we did not repurchase any shares of common stock in 2012. The following is a summary of activity under our stock repurchase programs for 2011 and 2010:

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Shares repurchased (in thousands)	17,338	14,920
Per share purchase price	\$28.95-\$39.57	\$31.56-\$37.05
Total repurchases (in millions)	\$575	\$501

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In December 2012, the Board of Directors authorized up to \$500 million in share repurchases in connection with the 2013 financial plan. Any future share repurchases will be made at the discretion of management, and will depend on factors similar to those considered by the Board in making dividend declarations.

16. Stock-Based Compensation***Employee Stock Purchase Plan***

We have an Employee Stock Purchase Plan under which employees that have been employed for at least 30 days may purchase shares of our common stock at a discount. The plan provides for two offering periods for purchases: January through June and July through December. At the end of each offering period, employees are able to purchase shares of our common stock at a price equal to 85% of the lesser of the market value of the stock on the first and last day of such offering period. The purchases are made through payroll deductions, and the number of shares that may be purchased is limited by IRS regulations. The total number of shares issued under the plan for the offering periods in each of 2012, 2011 and 2010 was approximately 1 million, 920,000 and 911,000, respectively. Including the impact of the January 2013 issuance of shares associated with the July to December 2012 offering period, approximately 2.7 million shares remain available for issuance under the plan.

Accounting for our Employee Stock Purchase Plan increased annual compensation expense by approximately by \$7 million, or \$5 million net of tax, for 2012 and 2011, and by \$7 million, or \$4 million net of tax, for 2010.

Employee Stock Incentive Plans

We grant equity and equity-based awards to our officers, employees and independent directors. The Company's 2009 Stock Incentive Plan provides for the issuance of up to 26.2 million shares of our common stock. As of December 31, 2012, approximately 8.1 million shares remain available for issuance under the 2009 Plan. We currently utilize treasury shares to meet the needs of our equity-based compensation programs.

Pursuant to the 2009 Plan, we have the ability to issue stock options, stock appreciation rights and stock awards, including restricted stock, restricted stock units, or RSUs, and performance share units, or PSUs. The terms and conditions of equity awards granted under the 2009 Plan are determined by the Management Development and Compensation Committee of our Board of Directors.

The Company grants equity awards to certain key employees as part of its long-term incentive plan, or LTIP. The annual LTIP awards granted to key employees in 2010 and 2011 included a combination of PSUs and stock options. In 2012, we re-introduced RSUs as a component of annual LTIP awards, and key employees were granted a combination of PSUs, RSUs and stock options. In 2010, 2011 and 2012, the annual LTIP awards granted to the Company's senior leadership team, which generally includes the Company's executive officers, included a combination of PSUs and stock options. During the reported periods, the Company has also periodically granted RSUs and stock options to employees working on key initiatives; in connection with new hires and promotions; and to field-based managers.

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Restricted Stock Units — A summary of our RSUs is presented in the table below (units in thousands):

	Years Ended December 31,					
	2012		2011		2010	
	Units	Weighted Average Fair Value	Units	Weighted Average Fair Value	Units	Weighted Average Fair Value
Unvested, beginning of year	317	\$ 23.60	586	\$ 27.61	1,030	\$ 30.76
Granted	345	\$ 34.55	6	\$ 31.65	8	\$ 34.25
Vested(a)	(304)	\$ 23.23	(253)	\$ 32.62	(428)	\$ 35.37
Forfeited	(42)	\$ 34.51	(22)	\$ 26.12	(24)	\$ 26.54
Unvested, end of year	<u>316</u>	\$ 34.46	<u>317</u>	\$ 23.60	<u>586</u>	\$ 27.61

- (a) The total fair market value of RSUs that vested during the years ended December 31, 2012, 2011 and 2010 was \$11 million, \$9 million and \$14 million, respectively. Net of units deferred and units used for payment of associated taxes, we issued approximately 196,000, 162,000 and 264,000 shares of common stock for RSUs that vested during the years ended December 31, 2012, 2011 and 2010, respectively.

RSUs provide award recipients with dividend equivalents during the vesting period, but the units may not be voted or sold until time-based vesting restrictions have lapsed. RSUs primarily provide for three-year cliff vesting. Unvested units are subject to forfeiture in the event of voluntary or for-cause termination. RSUs are subject to pro-rata vesting upon an employee's retirement or involuntary termination other than for cause and become immediately vested in the event of an employee's death or disability.

Compensation expense associated with RSUs is measured based on the grant-date fair value of our common stock and is recognized on a straight-line basis over the required employment period, which is generally the vesting period. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based upon an assessment of current period and historical forfeitures.

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Performance Share Units — Two types of PSUs are currently outstanding. From 2010 through 2012, annual LTIP awards included PSUs for which payout is dependent on the Company's performance against pre-established return on invested capital metrics ("ROIC PSUs"). Additionally, in 2012, annual LTIP awards included PSUs for which payout is dependent on total shareholder return relative to the S&P 500 ("TSR PSUs"). Both types of PSUs are payable in shares of common stock after the end of a three-year performance period, when the Company's financial performance for the entire performance period is reported, typically in mid to late February of the succeeding year. At the end of the performance period, the number of shares awarded can range from 0% to 200% of the targeted amount, depending on the performance against the pre-established targets. A summary of our PSUs is presented in the table below (units in thousands):

	Years Ended December 31,					
	2012		2011		2010	
	Units (a)	Weighted Average Fair Value	Units(b)	Weighted Average Fair Value	Units(c)	Weighted Average Fair Value
Unvested, beginning of year	981	\$ 34.85	1,740	\$ 26.72	2,254	\$ 27.68
Granted	976	\$ 37.87	380	\$ 37.19	690	\$ 33.49
Vested(d)	—	\$ —	(1,070)	\$ 22.66	—	\$ —
Expired without vesting	—	\$ —	—	\$ —	(1,064)	\$ 32.92
Forfeited	(239)	\$ 37.47	(69)	\$ 31.31	(140)	\$ 28.41
Unvested, end of year	<u>1,718</u>	\$ 36.20	<u>981</u>	\$ 34.85	<u>1,740</u>	\$ 26.72

- (a) The determination of achievement of performance results and corresponding vesting of PSUs with the three-year performance period ended December 31, 2012 was performed by the Management Development and Compensation Committee in February 2013. Accordingly, vesting information is not included in the table above as of December 31, 2012.
- (b) The Company's financial results for the three-year performance period ended December 31, 2011, as measured for purposes of these awards, were lower than the target levels established but in excess of the threshold performance criteria. Accordingly, recipients of PSU awards with the performance period ended December 31, 2011 were entitled to receive a payout of approximately 87% of the vested PSUs. In early 2012, we issued approximately 581,000 shares of common stock for these vested PSUs, net of units deferred and units used for payment of associated taxes.
- (c) The Company's financial results for the three-year performance period ended December 31, 2010, as measured for purposes of these awards, did not meet the threshold performance criteria for such PSUs, and as a result, the PSUs with the performance period ended December 31, 2010 expired without vesting.
- (d) The PSUs that vested for the performance period ended December 31, 2011 had a fair market value of \$32 million.

PSUs have no voting rights. PSUs receive dividend equivalents that are paid out in cash based on actual performance at the end of the awards' performance period. In the case of the PSUs with the performance period ended December 31, 2010 that expired without vesting, no dividend equivalents were paid. PSUs are payable to an employee (or his beneficiary) upon death or disability as if that employee had remained employed until the end of the performance period, are subject to pro-rata vesting upon an employee's retirement or involuntary termination other than for cause and are subject to forfeiture in the event of voluntary or for-cause termination.

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Compensation expense associated with the grant date fair value of our ROIC PSUs that continue to vest based on future performance is measured based on the grant-date fair value of our common stock. Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based upon an assessment of both the probability that the performance criteria will be achieved and current period and historical forfeitures.

Compensation expense associated with the grant date fair value of our TSR PSUs is based on a Monte Carlo valuation and is expensed on a straight-line basis over the vesting period. Compensation expense is recognized for all TSR PSUs whether or not the market conditions are achieved less current period and historical forfeitures.

Deferred Units — Recipients can elect to defer some or all of the vested RSU or PSU awards until a specified date or dates they choose. Deferred amounts are not invested, nor do they earn interest, but deferred amounts do earn dividend equivalents during deferral. Deferred amounts are paid out in shares of common stock at the end of the deferral period. At December 31, 2012, 2011 and 2010 we had approximately 300,000, 372,000 and 371,000, respectively, vested deferred units outstanding.

Stock Options — Prior to 2005, stock options were the primary form of equity-based compensation we granted to our employees. In 2010, the Management Development and Compensation Committee decided to re-introduce stock options as a component of our LTIP awards. All of our stock option awards granted prior to 2010 have vested, with the exception of any grants pursuant to the reload feature discussed in footnote (a) to the table below. The stock options granted from 2010 through 2012 primarily vest in 25% increments on the first two anniversaries of the date of grant with the remaining 50% vesting on the third anniversary. The exercise price of the options is the average of the high and low market value of our common stock on the date of grant, and the options have a term of 10 years. A summary of our stock options is presented in the table below (options in thousands):

	Years Ended December 31,					
	2012		2011		2010	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	14,255	\$ 32.91	9,957	\$ 28.95	8,800	\$ 25.98
Granted(a) (b)	1,986	\$ 34.86	6,597	\$ 37.04	3,901	\$ 33.56
Exercised(c)	(1,925)	\$ 26.59	(1,900)	\$ 26.46	(2,454)	\$ 25.17
Forfeited or expired	(1,319)	\$ 34.71	(399)	\$ 33.05	(290)	\$ 32.88
Outstanding, end of year(d)	<u>12,997</u>	\$ 33.96	<u>14,255</u>	\$ 32.91	<u>9,957</u>	\$ 28.95
Exercisable, end of year(e)	<u>5,318</u>	\$ 31.15	<u>5,176</u>	\$ 27.46	<u>6,286</u>	\$ 26.25

- (a) Although we stopped granting stock options from 2005 through 2009, some of our outstanding options granted in 2003 and 2004 have a reload feature that provides for the automatic grant of a new stock option award when the exercise price of the existing stock option is paid using already owned shares of common stock. The new option award is for the equivalent number of shares used as payment of the exercise price and has the same expiration date as the original option.
- (b) The weighted average grant-date fair value of stock options granted during the years ended December 31, 2012, 2011 and 2010 was \$4.66, \$5.88 and \$5.83, respectively.
- (c) The aggregate intrinsic value of stock options exercised during the years ended December 31, 2012, 2011 and 2010 was \$15 million, \$20 million and \$25 million, respectively.

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- (d) Stock options outstanding as of December 31, 2012 have a weighted average remaining contractual term of 6.65 years and an aggregate intrinsic value of \$19 million based on the market value of our common stock on December 31, 2012.
- (e) The aggregate intrinsic value of stock options exercisable as of December 31, 2012 was \$19 million.

We received cash proceeds of \$43 million, \$45 million and \$54 million during the years ended December 31, 2012, 2011 and 2010, respectively, from employee stock option exercises. We also realized tax benefits from these stock option exercises during the years ended December 31, 2012, 2011 and 2010 of \$5 million, \$8 million and \$10 million, respectively. These amounts have been presented as cash inflows in the “Cash flows from financing activities” section of our Consolidated Statements of Cash Flows.

Exercisable stock options at December 31, 2012, were as follows (options in thousands):

<u>Range of Exercise Prices</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Years</u>
\$19.61-\$20.00	480	\$ 19.61	0.18
\$20.01-\$30.00	1,905	\$ 27.68	1.01
\$30.01-\$39.93	2,933	\$ 35.29	7.69
\$19.61-\$39.93	<u>5,318</u>	\$ 31.15	4.62

All unvested stock options shall become exercisable upon the award recipient’s death or disability. In the event of a recipient’s retirement, stock options shall continue to vest pursuant to the original schedule set forth in the award agreement. If the recipient is terminated by the Company without cause or voluntarily resigns, the recipient shall be entitled to exercise all stock options outstanding and exercisable within a specified time frame after such termination. All outstanding stock options, whether exercisable or not, are forfeited upon termination for cause.

We account for our employee stock options under the fair value method of accounting using a Black-Scholes methodology to measure stock option expense at the date of grant. The fair value of the stock options at the date of grant is amortized to expense over the vesting period. The following table presents the weighted average assumptions used to value employee stock options granted during the years ended December 31, 2012, 2011 and 2010 under the Black-Scholes valuation model:

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expected option life	5.5 years	5.4 years	5.7 years
Expected volatility	24.2%	24.2%	24.8%
Expected dividend yield	4.1%	3.7%	3.8%
Risk-free interest rate	1.1%	2.3%	2.9%

The Company bases its expected option life on the expected exercise and termination behavior of its optionees and an appropriate model of the Company’s future stock price. The expected volatility assumption is derived from the historical volatility of the Company’s common stock over the most recent period commensurate with the estimated expected life of the Company’s stock options, combined with other relevant factors including implied volatility in market-traded options on the Company’s stock. The dividend yield is the annual rate of dividends per share over the exercise price of the option as of the grant date.

For the years ended December 31, 2012, 2011 and 2010, we recognized \$22 million, \$38 million, and \$28 million, respectively, of compensation expense associated with RSU, PSU and stock option awards as a component of “Selling, general and administrative” expenses in our Consolidated Statement of Operations. Our “Provision for income taxes” for the years ended December 31, 2012, 2011 and 2010 includes related deferred income tax benefits of \$7 million, \$13 million and \$11 million, respectively. We have not capitalized any equity-based compensation costs during the years ended December 31, 2012, 2011 and 2010.

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The 2012 annual equity based incentive award for all LTIP eligible employees, including retirement-eligible employees, was comprised of a much smaller percentage of stock options as compared to 2011. According to the terms of the stock option award agreement, retirement-eligible employees are not required to provide any future service to vest in these awards and, as a result, we recognize all of the associated compensation expense for retirement-eligible employees on the date of grant. The reduction in stock options granted in 2012 resulted in lower compensation expense when compared to 2011, which was partially offset by increased expense associated with an increase in the number of PSUs granted in 2012 as compared to 2011. As of December 31, 2012, we estimate that a total of approximately \$39 million of currently unrecognized compensation expense will be recognized over a weighted average period of 1.5 years for unvested RSU, PSU and stock option awards issued and outstanding.

Non-Employee Director Plans

Our non-employee directors currently receive annual grants of shares of our common stock, generally payable in two equal installments, under the 2009 Plan described above. Due to tax-planning considerations, the non-employee directors' grants of common stock on account of 2013 board service were accelerated and paid out in December 2012.

17. Earnings Per Share

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

	Years Ended December 31,		
	2012	2011	2010
Number of common shares outstanding at year-end	464.2	460.5	475.0
Effect of using weighted average common shares outstanding	(0.6)	9.2	5.2
Weighted average basic common shares outstanding	463.6	469.7	480.2
Dilutive effect of equity-based compensation awards and other contingently issuable shares	0.8	1.7	2.0
Weighted average diluted common shares outstanding	464.4	471.4	482.2
Potentially issuable shares	15.3	17.0	12.8
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	7.5	9.8	3.6

18. Fair Value Measurements***Assets and Liabilities Accounted for at Fair Value***

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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Level 3 — Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

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. Our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

	Total	Fair Value Measurements at December 31, 2012 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$127	\$ 127	\$ —	\$ —
Fixed-income securities	37	—	37	—
Redeemable preferred stock	25	—	—	25
Electricity commodity derivatives	1	—	1	—
Total assets	<u>\$190</u>	<u>\$ 127</u>	<u>\$ 38</u>	<u>\$ 25</u>
Liabilities:				
Interest rate derivatives	\$ 42	\$ —	\$ 42	\$ —
Foreign currency derivatives	11	—	11	—
Electricity commodity derivatives	5	—	5	—
Total liabilities	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 58</u>	<u>\$ —</u>
	Total	Fair Value Measurements at December 31, 2011 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$204	\$ 204	\$ —	\$ —
Fixed-income securities	36	—	36	—
Redeemable preferred stock	25	—	—	25
Interest rate derivatives	73	—	73	—
Electricity commodity derivatives	5	—	5	—
Total assets	<u>\$343</u>	<u>\$ 204</u>	<u>\$ 114</u>	<u>\$ 25</u>
Liabilities:				
Interest rate derivatives	\$ 74	\$ —	\$ 74	\$ —
Foreign currency derivatives	2	—	2	—
Total liabilities	<u>\$ 76</u>	<u>\$ —</u>	<u>\$ 76</u>	<u>\$ —</u>

[Table of Contents](#)**WASTE MANAGEMENT, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)***Money Market Funds*

We invest portions of our “Cash and cash equivalents” and restricted trust and escrow account balances in money market funds. We measure the fair value of these money market fund investments using quoted prices in active markets for identical assets.

Fixed-Income Securities

We invest a portion of our restricted trust and escrow balances in fixed-income securities, including U.S. Treasury securities, U.S. agency securities, municipal securities and mortgage- and asset-backed securities. We measure the fair value of these securities using quoted prices for identical or similar assets in inactive markets. The fair value of our fixed-income securities approximates our cost basis in the investments.

Redeemable Preferred Stock

In November 2011, we made a non-controlling investment in redeemable preferred stock of an unconsolidated entity, which is included in “Investments in unconsolidated entities” in our Consolidated Balance Sheets. The fair value of this investment has been measured based on third-party investors’ recent or pending transactions in these securities, which are considered the best evidence of fair value currently available. When this evidence is not available, we use other valuation techniques as appropriate and available. These valuation methodologies may include transactions in similar instruments, discounted cash flow techniques, third-party appraisals or industry multiples and public comparables. There have not been any significant changes in the fair value of the redeemable preferred stock since our initial investment.

Interest Rate Derivatives

As of December 31, 2012, we are party to forward-starting interest rate swaps that are designated as cash flow hedges of anticipated interest payments for future fixed-rate debt issuances. Our forward-starting interest rate swaps are LIBOR-based instruments. Accordingly, these derivatives are valued using a third-party pricing model that incorporates information about LIBOR yield curves, which is considered observable market data, for each instrument’s respective term. The third-party pricing model used to value our interest rate derivatives also incorporates Company and counterparty credit valuation adjustments, as appropriate. Counterparties to our interest rate contracts are financial institutions who participate in our \$2.0 billion revolving credit facility. Valuations of our interest rate derivatives may fluctuate significantly from period-to-period due to volatility in underlying interest rates, which are driven by market conditions and the scheduled maturities of the derivatives. Refer to Note 8 for additional information regarding our interest rate derivatives.

Foreign Currency Derivatives

Our foreign currency derivatives are valued using a third-party pricing model that incorporates information about forward Canadian dollar exchange prices, or observable market data, as of the reporting date. The third-party pricing model used to value our foreign currency derivatives also incorporates Company and counterparty credit valuation adjustments, as appropriate. Counterparties to these contracts are financial institutions who participate in our \$2.0 billion revolving credit facility. Valuations may fluctuate significantly from period-to-period due to volatility in the Canadian dollar to U.S. dollar exchange rate. Refer to Note 8 for additional information regarding our foreign currency derivatives.

Electricity Commodity Derivatives

As of December 31, 2012, we are party to receive fixed, pay variable electricity commodity derivatives to hedge the variability in revenues and cash flows caused by fluctuations in the market prices for electricity. These derivative instruments are valued using third-party pricing models that incorporate observable market data, including forward power curves published by Platts and congestion rates where appropriate. The third-party pricing models also incorporate Company and counterparty credit valuation adjustments, as appropriate.

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Counterparties to our electricity commodity derivatives are either power marketing arms of investor-owned utilities or power trading desks at various financial institutions. Valuations of the Company's electricity commodity derivatives may fluctuate significantly from period-to-period due to volatility in the market price of electricity caused by factors such as demand and supply movements, changes in the price of natural gas, and weather related events, among others. Refer to Note 8 for additional information regarding our electricity commodity derivatives.

Fair Value of Debt

At December 31, 2012 the carrying value of our debt was approximately \$9.9 billion compared with approximately \$9.8 billion at December 31, 2011. The carrying value of our debt includes adjustments associated with fair value hedge accounting related to our interest rate swaps as discussed in Note 8.

The estimated fair value of our debt was approximately \$11.1 billion at December 31, 2012 and approximately \$10.8 billion at December 31, 2011. The estimated fair value of our senior notes is based on quoted market prices. The carrying value of remarketable debt and borrowings under our revolving credit facilities approximates fair value due to the short-term nature of the interest rates. The fair value of our other debt is estimated using discounted cash flow analysis, based on current market rates for similar types of instruments.

Although we have determined the estimated fair value amounts using available market information and commonly accepted valuation methodologies, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, our estimates are not necessarily indicative of the amounts that we, or holders of the instruments, could realize in a current market exchange. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The fair value estimates are based on Level 2 inputs of the fair value hierarchy available as of December 31, 2012 and 2011. These amounts have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

19. Acquisitions and Divestitures***Current Year Acquisitions***

We continue to pursue the acquisition of businesses that are accretive to our Solid Waste business and enhance and expand our existing service offerings. During the year ended December 31, 2012, we paid \$94 million for interests in oil and gas producing properties through two transactions. The purchase price was allocated primarily to "Property and equipment." Additionally, we acquired 32 other businesses related to our Solid Waste business. Total consideration, net of cash acquired, for all acquisitions was \$244 million, which included \$207 million in cash paid in 2012, deposits paid during 2011 for acquisitions completed in 2012 of \$7 million, a liability for additional cash payments with a preliminary estimated fair value of \$22 million, and assumed liabilities of \$8 million. The additional cash payments are contingent upon achievement by the acquired businesses of certain negotiated goals, which generally include targeted revenues. At the dates of acquisition, our estimated maximum obligations for the contingent cash payments were \$57 million. As of December 31, 2012, we had paid \$9 million of this contingent consideration. In 2012, we also paid \$34 million of contingent consideration associated with acquisitions completed prior to 2012.

The allocation of purchase price was primarily to "Property and equipment," which had an estimated fair value of \$126 million; "Other intangible assets," which had an estimated fair value of \$43 million; and "Goodwill" of \$69 million. Other intangible assets included \$34 million of customer contracts and customer relationships and \$9 million of covenants not-to-compete. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is tax deductible.

[Table of Contents](#)**WASTE MANAGEMENT, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)*****Prior Year Acquisitions***

In 2011, we acquired businesses primarily related to our Solid Waste business, including the acquisition of Oakleaf discussed below. Total consideration, net of cash acquired, for all acquisitions was \$893 million, which included \$839 million in cash payments, a liability for additional cash payments with a preliminary estimated fair value of \$47 million, and assumed liabilities of \$7 million. In 2011, we paid \$8 million in deposits for acquisitions that had not closed as of December 31, 2011. The additional cash payments are contingent upon achievement by the acquired businesses of certain negotiated goals, which generally include targeted revenues. At the dates of acquisition, our estimated maximum obligations for the contingent cash payments were \$49 million. As of December 31, 2011, we had paid \$12 million of this contingent consideration. In 2011, we also paid \$8 million of contingent consideration associated with acquisitions completed in 2010 and 2009.

The allocation of purchase price was primarily to “Property and equipment,” which had an estimated fair value of \$225 million; “Other intangible assets,” which had an estimated fair value of \$225 million; and “Goodwill” of \$497 million. Other intangible assets included \$166 million of customer contracts and customer relationships, \$29 million of covenants not-to-compete and \$30 million of licenses, permits and other. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is tax deductible, except for the \$327 million recognized from the Oakleaf acquisition, which is not deductible for income tax purposes.

Acquisition of Oakleaf Global Holdings

On July 28, 2011, we paid \$432 million, net of cash received of \$4 million and inclusive of certain adjustments, to acquire Oakleaf. Oakleaf provides outsourced waste and recycling services through a nationwide network of third-party haulers. The operations we acquired generated approximately \$580 million in revenues in 2010. We acquired Oakleaf to advance our growth and transformation strategies and increase our national accounts customer base while enhancing our ability to provide comprehensive environmental solutions. For the year ended December 31, 2011, we incurred \$1 million of acquisition-related costs, which were classified as “Selling, general and administrative” expenses. For the year ended December 31, 2011, subsequent to the acquisition date, Oakleaf recognized revenues of \$265 million and net income of less than \$1 million, which are included in our Consolidated Statement of Operations. For the year ended December 31, 2012, Oakleaf recognized revenues of \$617 million and net losses of \$29 million, which are included in the Consolidated Statement of Operations.

The following table shows adjustments since September 30, 2011 to the allocation of the purchase price of Oakleaf to the assets acquired and liabilities assumed based on their estimated fair value; this allocation was finalized as of September 30, 2012 (in millions):

	<u>September 30, 2011</u>	<u>Adjustments</u>	<u>September 30, 2012</u>
Accounts and other receivables	\$ 68	\$ 3	\$ 71
Other current assets	28	—	28
Property and equipment	77	(7)	70
Goodwill	320	8	328
Other intangible assets	92	(5)	87
Accounts payable	(80)	(2)	(82)
Accrued liabilities	(48)	—	(48)
Deferred income taxes, net	(13)	4	(9)
Other liabilities	(12)	(1)	(13)
Total purchase price	<u>\$ 432</u>	<u>\$ —</u>	<u>\$ 432</u>

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The following table presents the final allocation of the purchase price to intangible assets (amounts in millions, except for amortization periods):

	<u>Amount</u>	<u>Weighted Average Amortization Periods (in Years)</u>
Customer relationships	\$ 74	10.0
Vendor relationships	4	10.0
Trademarks	9	15.0
	<u>\$ 87</u>	10.5

Goodwill of \$328 million was calculated as the excess of the consideration paid over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill is a result of expected synergies from combining the Company's operations with Oakleaf's national accounts customer base and vendor network. The vendor-hauler network expands our partnership with third-party service providers. In many cases we can provide vendor-haulers with opportunities to maintain and increase their business by utilizing our extensive post-collection network. We believe this will generate significant benefits for the Company and for the vendor-haulers. Goodwill has been assigned to our Areas as they are expected to benefit from the synergies of the combination. Goodwill related to this acquisition is not deductible for income tax purposes.

The following pro forma consolidated results of operations have been prepared as if the acquisition of Oakleaf occurred at January 1, 2010 (in millions, except per share amounts):

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 13,693	\$ 13,059
Net income attributable to Waste Management, Inc.	955	935
Basic earnings per common share	2.03	1.95
Diluted earnings per common share	2.03	1.94

In 2010, we acquired businesses primarily related to our Solid Waste and waste-to-energy operations. Total consideration, net of cash acquired, for acquisitions was \$427 million, which included \$379 million in cash payments, \$20 million in contributed assets, a liability for additional cash payments with an estimated fair value of \$23 million, and assumed liabilities of \$5 million. The additional cash payments are contingent upon achievement by the acquired businesses of certain negotiated goals, which generally included targeted revenues. At the date of acquisition, our estimated maximum obligations for the contingent cash payments were \$23 million. As of December 31, 2010, we had paid \$8 million of this contingent consideration. In 2010, we also paid \$20 million of contingent consideration associated with acquisitions completed in 2009.

The allocation of purchase price was primarily to "Property and equipment," which had an estimated fair value of \$279 million; "Other intangible assets," which had an estimated fair value of \$98 million; and "Goodwill" of \$77 million. Other intangible assets included \$35 million of customer contracts and customer relationships, \$8 million of covenants not-to-compete and \$55 million of licenses, permits and other. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is tax deductible.

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Divestitures

The aggregate sales price for divestitures of operations was \$7 million in 2012, \$32 million in 2011 and \$1 million in 2010. The proceeds from these sales for 2012 and 2010 were comprised substantially of cash. For 2011 the proceeds from these sales were comprised primarily of assets acquired in exchanges of assets. We recognized net gains on these divestitures of less than \$1 million in 2012, net losses on these divestitures of \$1 million in 2011 and net gains on these divestitures of \$1 million in 2010. These divestitures were made as part of our initiative to improve or divest certain underperforming and non-strategic operations.

20. Variable Interest Entities

Following is a description of our financial interests in variable interest entities that we consider significant, including (i) those for which we have determined that we are the primary beneficiary of the entity and, therefore, have consolidated the entities into our financial statements; and (ii) those that represent a significant interest in an unconsolidated entity.

Consolidated Variable Interest Entities

Waste-to-Energy LLCs — In June 2000, two limited liability companies were established to purchase interests in existing leveraged lease financings at three waste-to-energy facilities that we lease, operate and maintain. We own a 0.5% interest in one of the LLCs (“LLC I”) and a 0.25% interest in the second LLC (“LLC II”). John Hancock Life Insurance Company (“Hancock”) owns 99.5% of LLC I and 99.75% of LLC II is owned by LLC I and the CIT Group (“CIT”). In 2000, Hancock and CIT made an initial investment of \$167 million in the LLCs, which was used to purchase the three waste-to-energy facilities and assume the seller’s indebtedness. Under the LLC agreements, the LLCs shall be dissolved upon the occurrence of any of the following events: (i) a written decision of all members of the LLCs; (ii) December 31, 2063; (iii) a court’s dissolution of the LLCs; or (iv) the LLCs ceasing to own any interest in the waste-to-energy facilities.

Income, losses and cash flows of the LLCs are allocated to the members based on their initial capital account balances until Hancock and CIT achieve targeted returns; thereafter, we will receive 80% of the earnings of each of the LLCs and Hancock and CIT will be allocated the remaining 20% proportionate to their respective equity interests. All capital allocations made through December 31, 2012 have been based on initial capital account balances as the target returns have not yet been achieved.

Our obligations associated with our interests in the LLCs are primarily related to the lease of the facilities. In addition to our minimum lease payment obligations, we are required to make cash payments to the LLCs for differences between fair market rents and our minimum lease payments. These payments are subject to adjustment based on factors that include the fair market value of rents for the facilities and lease payments made through the re-measurement dates. In addition, we may also be required under certain circumstances to make capital contributions to the LLCs based on differences between the fair market value of the facilities and defined termination values as provided for in the underlying lease agreements, although we believe the likelihood of the occurrence of these circumstances is remote.

We have determined that we are the primary beneficiary of the LLCs and consolidate these entities in our Consolidated Financial Statements because (i) all of the equity owners of the LLCs are considered related parties for purposes of applying this accounting guidance; (ii) the equity owners share power over the significant activities of the LLCs; and (iii) we are the entity within the related party group whose activities are most closely associated with the LLCs.

As of December 31, 2012 and 2011, our Consolidated Balance Sheets included \$296 million and \$308 million, respectively, of net property and equipment associated with the LLCs’ waste-to-energy facilities and \$245 million and \$246 million, respectively, in noncontrolling interests associated with Hancock’s and CIT’s interests in the LLCs. As of December 31, 2012 and 2011, all debt obligations of the LLCs had been paid in full and, therefore, the LLCs had no liabilities. During the years ended December 31, 2012, 2011, and 2010, we

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recognized reductions in earnings of \$45 million, \$50 million and \$50 million, respectively, for Hancock's and CIT's noncontrolling interests in the LLCs' earnings. The LLCs' earnings relate to the rental income generated from leasing the facilities to our subsidiaries, reduced by depreciation expense. The LLCs' rental income is eliminated in WM's consolidation.

Significant Unconsolidated Variable Interest Entities

Investment in U.K. Waste-to-Energy and Recycling Entity — In the first quarter of 2012, we formed a U.K. joint venture (the "Ltd."), together with a commercial waste management company, to develop, construct, operate and maintain a waste-to-energy and recycling facility in England. We own a 50% interest in this joint venture. The total cost of constructing this facility is expected to be £200 million, or \$325 million based on the exchange rate as of December 31, 2012. The Ltd. will be funded primarily through loans from the joint venture partners and loans under the Ltd.'s credit facility agreements with third-party financial institutions. The funds loaned under the credit facility agreements will be used for the development and construction of the facility. We are committed to provide up to £57 million, or \$93 million based on the exchange rate as of December 31, 2012, of funding to the Ltd. Our actual commitment may be more or less depending on the actual cost of the facility. Through December 31, 2012, we had funded approximately £8 million, or \$13 million, through loans and less than \$1 million through equity contributions. These amounts are included in our Consolidated Balance Sheet as long-term "Other assets" and "Investments in unconsolidated entities," respectively. In addition to the funding commitments described above, the Ltd. has entered into certain foreign currency and interest rate derivatives at the direction of the governmental authority that awarded the project to Ltd. The impacts of gains or losses incurred on these derivatives will ultimately be remitted to or recoverable from the governmental authority under the terms of the project, and accordingly, are not reflected in our equity in net losses of unconsolidated entities. We also have guaranteed the performance of certain management services for the project for which our maximum exposure is not material.

In addition, a wholly-owned subsidiary of WM will be responsible for constructing the waste-to-energy facility for the Ltd. under a fixed-price construction contract. Once the facility is constructed, a majority-owned subsidiary of WM will be responsible for operating and maintaining the facility for the Ltd. under a substantially fixed-price operating and maintenance contract. Under the operating and maintenance contract, we have guaranteed our ability to operate this facility at certain performance levels that we believe are achievable. We will also be jointly responsible, along with our Ltd. joint venture partner, for the performance of sales and marketing services for the Ltd. through a 50%-owned and unconsolidated entity. The fixed-price components of the above-mentioned contracts were established based on estimates of expected construction, operation and maintenance costs. However, we may not achieve the financial results anticipated and could incur losses if the actual costs differ from the costs established in the contracts. Our maximum exposure to loss under these contracts cannot presently be quantified.

We determined that we are not the primary beneficiary of the Ltd., as all decision-making responsibility is shared jointly with our joint venture partner. As such, we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate this entity.

Investment in Refined Coal Facility — In January 2011, we acquired a noncontrolling interest in a limited liability company, which was established to invest in and manage a refined coal facility. Along with the other equity investor, we support the operations of the entity in exchange for a pro-rata share of the tax credits it generates. Our initial consideration for this investment consisted of a cash payment of \$48 million. At December 31, 2012 and 2011, our investment balance was \$19 million and \$35 million, respectively, representing our current maximum pre-tax exposure to loss. Under the terms and conditions of the transaction, we do not believe that we have any material exposure to loss. Future contributions will commence once certain levels of tax credits have been generated and will continue through the expiration of the tax credits under Section 45 of the Internal Revenue Code, which occurs at the end of 2019. We are only obligated to make future

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contributions to the extent tax credits are generated. We determined that we are not the primary beneficiary of this entity as we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate the entity. Additional information related to this investment is discussed in Note 9.

Investment in Federal Low-income Housing Tax Credits — In April 2010, we acquired a noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties. We support the operations of the entity in exchange for a pro-rata share of the tax credits it generates. Our target return on the investment is guaranteed and, therefore, we do not believe that we have any material exposure to loss. Our consideration for this investment totaled \$221 million, which was comprised of a \$215 million note payable and an initial cash payment of \$6 million. At December 31, 2012 and 2011, our investment balance was \$153 million and \$178 million, respectively, and our debt balance was \$152 million and \$176 million, respectively. We determined that we are not the primary beneficiary of this entity as we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate the entity. Additional information related to this investment is discussed in Note 9.

Trusts for Final Capping, Closure, Post-Closure or Environmental Remediation Obligations — We have significant financial interests in trust funds that were created to settle certain of our final capping, closure, post-closure or environmental remediation obligations. Generally, we are the sole beneficiary of these restricted balances; however, certain of the funds have been established for the benefit of both the Company and the host community in which we operate. We have determined that these trust funds are variable interest entities; however, we are not the primary beneficiary of these entities because either (i) we do not have the power to direct the significant activities of the trusts or (ii) power over the trusts' significant activities is shared.

We account for the trusts for which we are the sole beneficiary as long-term "Other assets" in our Consolidated Balance Sheet. These trusts had a fair value of \$122 million at December 31, 2012 and \$123 million at December 31, 2011. Our interests in the trusts that have been established for the benefit of both the Company and the host community in which we operate are accounted for as investments in unconsolidated entities and receivables. These amounts are recorded in "Other receivables," "Investments in unconsolidated entities" and long-term "Other assets" in our Consolidated Balance Sheet, as appropriate. Our investments and receivables related to these trusts had an aggregate carrying value of \$110 million as of December 31, 2012 and \$107 million as of December 31, 2011. We reflect our interests in the unrealized gains and losses on available-for-sale securities held by these trusts as a component of "Accumulated other comprehensive income." The deconsolidation of these variable interest entities has not materially affected our financial position, results of operations or cash flows for the periods presented.

As the party with primary responsibility to fund the related final capping, closure, post-closure or environmental remediation activities, we are exposed to risk of loss as a result of potential changes in the fair value of the assets of the trust. The fair value of trust assets can fluctuate due to (i) changes in the market value of the investments held by the trusts and (ii) credit risk associated with trust receivables. Although we are exposed to changes in the fair value of the trust assets, we currently expect the trust funds to continue to meet the statutory requirements for which they were established.

21. Segment and Related Information

In July 2012, we announced a reorganization of operations, designed to streamline management and staff support and reduce our cost structure, while not disrupting our front-line operations. Principal organizational changes included removing the management layer of our four geographic Groups, each of which previously constituted a reportable segment, and consolidating and reducing the number of our geographic Areas from 22 to 17.

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Following our reorganization, our senior management now evaluates, oversees and manages the financial performance of our Solid Waste subsidiaries through these 17 Areas. The 17 Areas constitute our operating segments and none of the Areas individually meet the quantitative criteria to be a separate reportable segment. We have evaluated the aggregation criteria and concluded that, based on the similarities between our Areas, including the fact that our Solid Waste business is homogenous across geography with the same services offered across the Areas, aggregation of our Areas is appropriate for purposes of presenting our reportable segments. Accordingly, we have aggregated our 17 Areas into three tiers that we believe have similar economic characteristics and future prospects based in large part on a review of the Areas' operating margins. The economic variations experienced by our Areas is attributable to a variety of factors, including regulatory environment of the Area; economic environment of the Area, including level of commercial and industrial activity; population density; service offering mix and disposal logistics, with no one factor being singularly determinative of an Area's current or future economic performance. As a result of our consideration of economic and other similarities, we have established the following three reportable segments for our Solid Waste business: Tier 1, which is comprised almost exclusively of Areas in the Southern United States; Tier 2, which is comprised predominately of Areas located in the Midwest and Northeast United States; and Tier 3, which encompasses all Areas not included in Tier 1 or Tier 2. Our Wheelabrator business, which manages waste-to-energy facilities and independent power production plants, continues to be a separate reportable segment as it meets one of the quantitative disclosure thresholds. The operating segments not evaluated and overseen through the 17 Areas and Wheelabrator, including the Oakleaf operations we acquired in 2011, are presented herein as "Other" as these operating segments do not meet the criteria to be aggregated with other operating segments and do not meet the quantitative criteria to be separately reported.

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Summarized financial information concerning our reportable segments for the respective years ended December 31 is shown in the following table (in millions):

	<u>Gross Operating Revenues</u>	<u>Intercompany Operating Revenues(c)</u>	<u>Net Operating Revenues</u>	<u>Income from Operations (d),(e)</u>	<u>Depreciation and Amortization</u>	<u>Capital Expenditures (f)</u>	<u>Total Assets (g),(h)</u>
2012							
Solid Waste:							
Tier 1	\$ 3,370	\$ (521)	\$ 2,849	\$ 851	\$ 273	\$ 242	\$ 3,656
Tier 2	6,273	(1,096)	5,177	1,270	512	511	8,394
Tier 3	3,413	(523)	2,890	504	259	271	5,088
Wheelabrator	846	(123)	723	113	69	36	2,605
Other(a)	2,106	(96)	2,010	(242)	111	239	2,503
	<u>16,008</u>	<u>(2,359)</u>	<u>13,649</u>	<u>2,496</u>	<u>1,224</u>	<u>1,299</u>	<u>22,246</u>
Corporate and Other (b)	—	—	—	(645)	73	139	1,551
Total	<u>\$16,008</u>	<u>\$ (2,359)</u>	<u>\$13,649</u>	<u>\$ 1,851</u>	<u>\$ 1,297</u>	<u>\$ 1,438</u>	<u>\$23,797</u>
2011							
Solid Waste:							
Tier 1	\$ 3,337	\$ (425)	\$ 2,912	\$ 859	\$ 268	\$ 215	\$ 3,610
Tier 2	6,332	(980)	5,352	1,237	492	526	8,337
Tier 3	3,329	(444)	2,885	512	261	234	4,987
Wheelabrator	877	(121)	756	172	67	35	2,542
Other (a)	1,534	(61)	1,473	(164)	77	223	2,203
	<u>15,409</u>	<u>(2,031)</u>	<u>13,378</u>	<u>2,616</u>	<u>1,165</u>	<u>1,233</u>	<u>21,679</u>
Corporate and Other (b)	—	—	—	(588)	64	129	1,562
Total	<u>\$15,409</u>	<u>\$ (2,031)</u>	<u>\$13,378</u>	<u>\$ 2,028</u>	<u>\$ 1,229</u>	<u>\$ 1,362</u>	<u>\$23,241</u>
2010							
Solid Waste:							
Tier 1	\$ 3,334	\$ (418)	\$ 2,916	\$ 857	\$ 270	\$ 207	\$ 3,475
Tier 2	6,076	(936)	5,140	1,130	504	406	7,899
Tier 3	3,203	(438)	2,765	508	242	228	4,768
Wheelabrator	889	(125)	764	210	64	38	2,554
Other (a)	975	(45)	930	(157)	52	198	1,783
	<u>14,477</u>	<u>(1,962)</u>	<u>12,515</u>	<u>2,548</u>	<u>1,132</u>	<u>1,077</u>	<u>20,479</u>
Corporate and Other (b)	—	—	—	(432)	62	90	1,690
Total	<u>\$14,477</u>	<u>\$ (1,962)</u>	<u>\$12,515</u>	<u>\$ 2,116</u>	<u>\$ 1,194</u>	<u>\$ 1,167</u>	<u>\$22,169</u>

- (a) Our "Other" net operating revenues and "Other" income from operations include (i) the effects of those elements of our in-plant services, landfill gas-to-energy operations, and third-party subcontract and administration revenues managed by our Sustainability Services and Renewable Energy organizations, respectively, that are not included with the operations of our reportable segments; (ii) our recycling brokerage and electronic recycling services; and (iii) the impacts of investments that we are making in

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expanded service offerings, such as portable self-storage, fluorescent lamp recycling and oil and gas producing properties. In addition, our “Other” income from operations reflects the impacts of non-operating entities that provide financial assurance and self-insurance support for the segments or financing for our Canadian operations.

- (b) Corporate operating results reflect the costs incurred for various support services that are not allocated to our reportable segments. These support services include, among other things, treasury, legal, information technology, tax, insurance, centralized service center processes, other administrative functions and the maintenance of our closed landfills. Income from operations for “Corporate and other” also includes costs associated with our long-term incentive program and any administrative expenses or revisions to our estimated obligations associated with divested operations.
- (c) Intercompany operating revenues reflect each segment’s total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.
- (d) For those items included in the determination of income from operations, the accounting policies of the segments are the same as those described in Note 3.
- (e) The income from operations provided by our Solid Waste business is generally indicative of the margins provided by our collection, landfill, transfer and recycling businesses. From time to time the operating results of our reportable segments are significantly affected by certain transactions or events that management believes are not indicative or representative of our results. Refer to Note 12 and Note 13 for an explanation of certain transactions and events affecting our operating results.
- (f) Includes non-cash items. Capital expenditures are reported in our reportable segments at the time they are recorded within the segments’ property, plant and equipment balances and, therefore, may include amounts that have been accrued but not yet paid.
- (g) The reconciliation of total assets reported above to “Total assets” in the Consolidated Balance Sheets is as follows (in millions):

	December 31,		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total assets, as reported above	\$23,797	\$23,241	\$22,169
Elimination of intercompany investments and advances	<u>(700)</u>	<u>(672)</u>	<u>(693)</u>
Total assets, per Consolidated Balance Sheets	<u>\$23,097</u>	<u>\$22,569</u>	<u>\$21,476</u>

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- (h) Goodwill is included within each segment's total assets. As discussed above, for segment reporting purposes, our material recovery facilities and secondary processing facilities are included as a component of their respective Areas and our recycling brokerage business and electronics recycling services are included as part of our "Other" operations. As discussed in Note 19, the goodwill associated with our acquisition of Oakleaf, has been assigned to our Areas. The following table shows changes in goodwill during 2011 and 2012 by reportable segment in (millions):

	Solid Waste			Wheelabrator	Other	Total
	Tier 1	Tier 2	Tier 3			
Balance, December 31, 2010	\$1,050	\$2,603	\$1,191	\$ 788	\$ 94	\$5,726
Acquired goodwill	106	195	170	—	26	497
Impairments	—	—	—	—	(1)	(1)
Translation and other adjustments	<u>2</u>	<u>8</u>	<u>(2)</u>	<u>—</u>	<u>(15)</u>	<u>(7)</u>
Balance, December 31, 2011	1,158	2,806	1,359	788	104	6,215
Acquired goodwill	18	22	9	—	20	69
Divested goodwill, net of assets held-for-sale	—	—	(3)	—	—	(3)
Impairments	—	—	—	—	(4)	(4)
Translation and other adjustments	<u>2</u>	<u>—</u>	<u>9</u>	<u>—</u>	<u>3</u>	<u>14</u>
Balance, December 31, 2012	<u>\$1,178</u>	<u>\$2,828</u>	<u>\$1,374</u>	<u>\$ 788</u>	<u>\$123</u>	<u>\$6,291</u>

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

	Years Ended December 31,		
	2012	2011	2010
Commercial	\$ 3,417	\$ 3,499	\$ 3,391
Residential	2,584	2,609	2,594
Industrial	2,129	2,052	1,988
Other	<u>275</u>	<u>246</u>	<u>274</u>
Total collection	8,405	8,406	8,247
Landfill	2,685	2,611	2,540
Transfer	1,296	1,280	1,318
Wheelabrator	846	877	889
Recycling	1,360	1,580	1,169
Other(a)	1,416	655	314
Intercompany(b)	<u>(2,359)</u>	<u>(2,031)</u>	<u>(1,962)</u>
Operating revenues	<u>\$13,649</u>	<u>\$13,378</u>	<u>\$12,515</u>

- (a) The "Other" line of business includes Oakleaf, landfill gas-to-energy operations, Port-O-Let[®] services, portable self-storage, fluorescent lamp recycling, oil and gas producing properties and healthcare solutions operations.
- (b) Intercompany revenues between lines of business are eliminated within the Consolidated Financial Statements included herein.

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Net operating revenues relating to operations in the United States and Puerto Rico, as well as Canada are as follows (in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
United States and Puerto Rico	\$12,812	\$12,578	\$11,784
Canada	837	800	731
Total	<u>\$13,649</u>	<u>\$13,378</u>	<u>\$12,515</u>

Property and equipment (net) relating to operations in the United States and Puerto Rico, as well as Canada are as follows (in millions):

	<u>December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
United States and Puerto Rico	\$11,293	\$10,948	\$10,558
Canada	1,358	1,294	1,310
Total	<u>\$12,651</u>	<u>\$12,242</u>	<u>\$11,868</u>

22. Quarterly Financial Data (Unaudited)

The following table summarizes the unaudited quarterly results of operations for 2012 and 2011 (in millions, except per share amounts):

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2012				
Operating revenues	\$3,295	\$3,459	\$3,461	\$3,434
Income from operations	401	466	500	484
Consolidated net income	183	219	223	235
Net income attributable to Waste Management, Inc.	171	208	214	224
Basic earnings per common share	0.37	0.45	0.46	0.48
Diluted earnings per common share	0.37	0.45	0.46	0.48
2011				
Operating revenues	\$3,103	\$3,347	\$3,522	\$3,406
Income from operations	427	506	543	552
Consolidated net income	196	250	285	278
Net income attributable to Waste Management, Inc.	186	237	272	266
Basic earnings per common share	0.39	0.50	0.58	0.58
Diluted earnings per common share	0.39	0.50	0.58	0.58

Basic and diluted earnings per common share for each of the quarters presented above is based on the respective weighted average number of common and dilutive potential common shares outstanding for each quarter and the sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per common share amounts.

Our operating revenues normally tend to be somewhat higher in the summer months, primarily due to the traditional seasonal increase in the volume of construction and demolition waste. Historically, the volumes of industrial and residential waste in certain regions in which we operate have tended to increase during the summer

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months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. Additionally, from time to time, our operating results are significantly affected by certain transactions or events that management believes are not indicative or representative of our results. The following significant items have affected the comparison of our operating results during the periods indicated:

First Quarter 2012

Income from operations was negatively impacted by the recognition of pre-tax restructuring charges and integration costs associated with our acquisition of Oakleaf. These charges had a negative impact of \$0.01 on our diluted earnings per share.

Second Quarter 2012

Income from operations was negatively impacted by the recognition of pre-tax impairment charges of \$34 million, related primarily to two facilities in our medical waste services business. These impairment charges had an unfavorable impact of \$0.04 on our diluted earnings per share.

Income from operations was negatively impacted by the recognition of a pre-tax noncash charge of \$10 million associated with the partial withdrawal from an underfunded multiemployer pension plan. This charge reduced diluted earnings per share by \$0.01.

Income from operations was negatively impacted by pre-tax costs aggregating \$5 million from a combination of restructuring charges and integration costs associated with our acquisition of Oakleaf. These items negatively affected our diluted earnings per share by \$0.01.

Third Quarter 2012

Income from operations was negatively impacted by pre-tax costs aggregating \$47 million primarily related to our July 2012 restructuring as well as integration costs associated with our acquisition of Oakleaf. These items had a negative impact of \$0.06 on our diluted earnings per share.

Income from operations was negatively impacted by the recognition of pre-tax impairment charges of \$45 million, primarily associated with certain of our investments in unconsolidated entities and related assets. These impairment charges had an unfavorable impact of \$0.08 on our diluted earnings per share.

Income from operations was negatively impacted by the recognition of a pre-tax charge of \$6 million resulting from a labor union dispute in the Pacific Northwest Area, which had a negative impact of \$0.01 on our diluted earnings per share.

Fourth Quarter 2012

Income from operations was negatively impacted by pre-tax costs aggregating \$25 million primarily related to our July 2012 restructuring as well as integration costs associated with our acquisition of Oakleaf. These items had a negative impact of \$0.03 on our diluted earnings per share.

Income from operations was negatively impacted by the recognition of pre-tax impairment charges of \$30 million, primarily attributable to; (i) \$13 million of charges related to two facilities in our medical waste services business as a result of projected operating losses at each of these facilities; (ii) \$6 million of charges related to investments we had made in prior years in waste diversion technologies; (iii) \$5 million for the impairment of a facility not currently used in our operations and (iv) \$4 million of charges to impair goodwill related to certain of our operations. These impairment charges had an unfavorable impact of \$0.05 on our diluted earnings per share.

Income from operations was negatively impacted by pre-tax charges aggregating \$10 million related to an accrual for legal reserves and the impact of a decrease in the risk-free discount rate used to measure our environmental remediation liabilities. These items had a negative impact of \$0.01 on our diluted earnings per share.

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Income from operations was negatively impacted by the recognition of pre-tax restructuring charges, excluding charges recognized in the operating results of Oakleaf, of \$14 million related to our cost savings programs. These charges were primarily related to employee severance and benefit costs and negatively affected our diluted earnings per share by \$0.02.

Income from operations was negatively impacted by the recognition of net non-cash, pre-tax charges of \$8 million arising from the accounting effect of lower ten-year Treasury rates, which are used to discount remediation reserves and related recovery assets at our landfills, offset in part by the favorable impact from a revision to an environmental remediation liability at a closed landfill. The net charges had a negative impact of \$0.01 on our diluted earnings per share.

Income from operations was negatively impacted by a reduction in pre-tax earnings of approximately \$6 million related to the Oakleaf acquisition, which includes the operating results of Oakleaf and related interest expense and integration costs. These items negatively affected our diluted earnings per share by \$0.01.

Income from operations was negatively impacted by the recognition of non-cash, pre-tax charges of \$6 million related to impairments at two of our medical waste services facilities. The impairment charges had a negative impact of \$0.01 on our diluted earnings per share.

Our Provision for income taxes for the quarter was reduced by \$10 million as a result of the finalization of our 2010 tax returns and tax audit settlements, which positively affected our diluted earnings per share by \$0.02.

Fourth Quarter 2011

Income from operations was negatively impacted by \$24 million of selling, general and administrative expense related to a litigation loss in the Southern California Area which had a negative impact of \$0.03 on our diluted earnings per share.

Income from operations was positively impacted by a \$20 million decrease to depreciation and amortization expense for adjustments associated with changes in our expectations for the timing and cost of future final capping, closure and post-closure of fully utilized airspace. This decrease had a positive impact of approximately \$0.03 on our diluted earnings per share.

Our Provision for income taxes for the quarter was reduced by \$7 million as a result of (i) the recognition of a benefit of \$4 million due to tax audit settlements; and (ii) the realization of state net operating loss and credit carry-forwards of \$3 million. This decrease in taxes positively affected the quarter's diluted earnings per share by \$0.01.

23. Condensed Consolidating Financial Statements

WM Holdings has fully and unconditionally guaranteed all of WM's senior indebtedness. WM has fully and unconditionally guaranteed all of WM Holdings' senior indebtedness. None of WM's other subsidiaries have guaranteed any of WM'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):

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2012

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 60	\$ —	\$ 134	\$ —	\$ 194
Other current assets	—	7	2,222	—	2,229
	<u>60</u>	<u>7</u>	<u>2,356</u>	<u>—</u>	<u>2,423</u>
Property and equipment, net	—	—	12,651	—	12,651
Investments in and advances to affiliates	12,686	16,697	3,437	(32,820)	—
Other assets	45	12	7,966	—	8,023
Total assets	<u>\$12,791</u>	<u>\$16,716</u>	<u>\$ 26,410</u>	<u>\$ (32,820)</u>	<u>\$ 23,097</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 400	\$ —	\$ 343	\$ —	\$ 743
Accounts payable and other current liabilities	77	13	2,203	—	2,293
	<u>477</u>	<u>13</u>	<u>2,546</u>	<u>—</u>	<u>3,036</u>
Long-term debt, less current portion	5,918	449	2,806	—	9,173
Other liabilities	42	—	4,171	—	4,213
Total liabilities	<u>6,437</u>	<u>462</u>	<u>9,523</u>	<u>—</u>	<u>16,422</u>
Equity:					
Stockholders' equity	6,354	16,254	16,566	(32,820)	6,354
Noncontrolling interests	—	—	321	—	321
	<u>6,354</u>	<u>16,254</u>	<u>16,887</u>	<u>(32,820)</u>	<u>6,675</u>
Total liabilities and equity	<u>\$12,791</u>	<u>\$16,716</u>	<u>\$ 26,410</u>	<u>\$ (32,820)</u>	<u>\$ 23,097</u>

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONDENSED CONSOLIDATING BALANCE SHEETS (Continued)

	December 31, 2011				
	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
	ASSETS				
Current assets:					
Cash and cash equivalents	\$ 119	\$ —	\$ 139	\$ —	\$ 258
Other current assets	6	—	2,115	—	2,121
	<u>125</u>	<u>—</u>	<u>2,254</u>	<u>—</u>	<u>2,379</u>
Property and equipment, net	—	—	12,242	—	12,242
Investments in and advances to affiliates	12,006	14,905	3,033	(29,944)	—
Other assets	120	12	7,816	—	7,948
Total assets	<u>\$12,251</u>	<u>\$14,917</u>	<u>\$ 25,345</u>	<u>\$ (29,944)</u>	<u>\$ 22,569</u>
	LIABILITIES AND EQUITY				
Current liabilities:					
Current portion of long-term debt	\$ 298	\$ —	\$ 333	\$ —	\$ 631
Accounts payable and other current liabilities	124	13	2,300	—	2,437
	<u>422</u>	<u>13</u>	<u>2,633</u>	<u>—</u>	<u>3,068</u>
Long-term debt, less current portion	5,727	449	2,949	—	9,125
Other liabilities	32	—	3,954	—	3,986
Total liabilities	<u>6,181</u>	<u>462</u>	<u>9,536</u>	<u>—</u>	<u>16,179</u>
Equity:					
Stockholders' equity	6,070	14,455	15,489	(29,944)	6,070
Noncontrolling interests	—	—	320	—	320
	<u>6,070</u>	<u>14,455</u>	<u>15,809</u>	<u>(29,944)</u>	<u>6,390</u>
Total liabilities and equity	<u>\$12,251</u>	<u>\$14,917</u>	<u>\$ 25,345</u>	<u>\$ (29,944)</u>	<u>\$ 22,569</u>

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2012					
Operating revenues	\$ —	\$ —	\$ 13,649	\$ —	\$ 13,649
Costs and expenses	—	(7)	11,805	—	11,798
Income from operations	—	7	1,844	—	1,851
Other income (expense):					
Interest income (expense)	(358)	(32)	(94)	—	(484)
Equity in earnings of subsidiaries, net of taxes	1,034	1,046	—	(2,080)	—
Other, net	—	—	(64)	—	(64)
	<u>676</u>	<u>1,014</u>	<u>(158)</u>	<u>(2,080)</u>	<u>(548)</u>
Income before income taxes	676	1,021	1,686	(2,080)	1,303
Provision for (benefit from) income taxes	(141)	(13)	597	—	443
Consolidated net income	817	1,034	1,089	(2,080)	860
Less: Net income attributable to noncontrolling interests	—	—	43	—	43
Net income attributable to Waste Management, Inc.	<u>\$ 817</u>	<u>\$ 1,034</u>	<u>\$ 1,046</u>	<u>\$ (2,080)</u>	<u>\$ 817</u>
Year Ended December 31, 2011					
Operating revenues	\$ —	\$ —	\$ 13,378	\$ —	\$ 13,378
Costs and expenses	—	—	11,350	—	11,350
Income from operations	—	—	2,028	—	2,028
Other income (expense):					
Interest income (expense)	(342)	(33)	(98)	—	(473)
Equity in earnings of subsidiaries, net of taxes	1,168	1,188	—	(2,356)	—
Other, net	—	—	(35)	—	(35)
	<u>826</u>	<u>1,155</u>	<u>(133)</u>	<u>(2,356)</u>	<u>(508)</u>
Income before income taxes	826	1,155	1,895	(2,356)	1,520
Provision for (benefit from) income taxes	(135)	(13)	659	—	511
Consolidated net income	961	1,168	1,236	(2,356)	1,009
Less: Net income attributable to noncontrolling interests	—	—	48	—	48
Net income attributable to Waste Management, Inc.	<u>\$ 961</u>	<u>\$ 1,168</u>	<u>\$ 1,188</u>	<u>\$ (2,356)</u>	<u>\$ 961</u>

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (continued)

	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2010					
Operating revenues	\$ —	\$ —	\$ 12,515	\$ —	\$ 12,515
Costs and expenses	<u>—</u>	<u>—</u>	<u>10,399</u>	<u>—</u>	<u>10,399</u>
Income from operations	<u>—</u>	<u>—</u>	<u>2,116</u>	<u>—</u>	<u>2,116</u>
Other income (expense):					
Interest income (expense)	(324)	(38)	(107)	—	(469)
Equity in earnings of subsidiaries, net of taxes	1,149	1,172	—	(2,321)	—
Other, net	<u>—</u>	<u>—</u>	<u>(16)</u>	<u>—</u>	<u>(16)</u>
	<u>825</u>	<u>1,134</u>	<u>(123)</u>	<u>(2,321)</u>	<u>(485)</u>
Income before income taxes	825	1,134	1,993	(2,321)	1,631
Provision for (benefit from) income taxes	<u>(128)</u>	<u>(15)</u>	<u>772</u>	<u>—</u>	<u>629</u>
Consolidated net income	953	1,149	1,221	(2,321)	1,002
Less: Net income attributable to noncontrolling interests	<u>—</u>	<u>—</u>	<u>49</u>	<u>—</u>	<u>49</u>
Net income attributable to Waste Management, Inc.	<u>\$ 953</u>	<u>\$ 1,149</u>	<u>\$ 1,172</u>	<u>\$ (2,321)</u>	<u>\$ 953</u>

[Table of Contents](#)**WASTE MANAGEMENT, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME**

	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2012					
Comprehensive income	\$807	\$ 1,034	\$ 1,120	\$ (2,080)	\$ 881
Less: Comprehensive income attributable to noncontrolling interests	—	—	43	—	43
Comprehensive income attributable to Waste Management, Inc.	<u>\$807</u>	<u>\$ 1,034</u>	<u>\$ 1,077</u>	<u>\$ (2,080)</u>	<u>\$ 838</u>
Year Ended December 31, 2011					
Comprehensive income	\$929	\$ 1,168	\$ 1,210	\$ (2,356)	\$ 951
Less: Comprehensive income attributable to noncontrolling interests	—	—	48	—	48
Comprehensive income attributable to Waste Management, Inc.	<u>\$929</u>	<u>\$ 1,168</u>	<u>\$ 1,162</u>	<u>\$ (2,356)</u>	<u>\$ 903</u>
Year Ended December 31, 2010					
Comprehensive income	\$931	\$ 1,149	\$ 1,265	\$ (2,321)	\$ 1,024
Less: Comprehensive income attributable to noncontrolling interests	—	—	49	—	49
Comprehensive income attributable to Waste Management, Inc.	<u>\$931</u>	<u>\$ 1,149</u>	<u>\$ 1,216</u>	<u>\$ (2,321)</u>	<u>\$ 975</u>

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WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2012					
Cash flows from operating activities:					
Consolidated net income	\$ 817	\$ 1,034	\$ 1,089	\$ (2,080)	\$ 860
Equity in earnings of subsidiaries, net of taxes	(1,034)	(1,046)	—	2,080	—
Other adjustments	81	—	1,354	—	1,435
Net cash provided by (used in) operating activities	<u>(136)</u>	<u>(12)</u>	<u>2,443</u>	<u>—</u>	<u>2,295</u>
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(250)	—	(250)
Capital expenditures	—	—	(1,510)	—	(1,510)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	44	—	44
Net receipts from restricted trust and escrow accounts and other, net	—	—	(114)	—	(114)
Net cash provided by (used in) investing activities	<u>—</u>	<u>—</u>	<u>(1,830)</u>	<u>—</u>	<u>(1,830)</u>
Cash flows from financing activities:					
New borrowings	895	—	285	—	1,180
Debt repayments	(585)	—	(473)	—	(1,058)
Common stock repurchases	—	—	—	—	—
Cash dividends	(658)	—	—	—	(658)
Exercise of common stock options	43	—	—	—	43
Distributions paid to noncontrolling interests and other	15	—	(52)	—	(37)
(Increase) decrease in intercompany and investments, net	367	12	(379)	—	—
Net cash provided by (used in) financing activities	<u>77</u>	<u>12</u>	<u>(619)</u>	<u>—</u>	<u>(530)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	1	—	1
Increase (decrease) in cash and cash equivalents	(59)	—	(5)	—	(64)
Cash and cash equivalents at beginning of period	119	—	139	—	258
Cash and cash equivalents at end of period	<u>\$ 60</u>	<u>\$ —</u>	<u>\$ 134</u>	<u>\$ —</u>	<u>\$ 194</u>

[Table of Contents](#)**WASTE MANAGEMENT, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)**

	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2011					
Cash flows from operating activities:					
Consolidated net income	\$ 961	\$ 1,168	\$ 1,236	\$ (2,356)	\$ 1,009
Equity in earnings of subsidiaries, net of taxes	(1,168)	(1,188)	—	2,356	—
Other adjustments	<u>12</u>	<u>(3)</u>	<u>1,451</u>	<u>—</u>	<u>1,460</u>
Net cash provided by (used in) operating activities	<u>(195)</u>	<u>(23)</u>	<u>2,687</u>	<u>—</u>	<u>2,469</u>
Cash flows from investing activities:					
Acquisition of businesses, net of cash acquired	—	—	(867)	—	(867)
Capital expenditures	—	—	(1,324)	—	(1,324)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	36	—	36
Net receipts from restricted trust and escrow accounts and other, net	<u>(5)</u>	<u>—</u>	<u>(25)</u>	<u>—</u>	<u>(30)</u>
Net cash provided by (used in) investing activities	<u>(5)</u>	<u>—</u>	<u>(2,180)</u>	<u>—</u>	<u>(2,185)</u>
Cash flows from financing activities:					
New borrowings	1,043	—	158	—	1,201
Debt repayments	—	(147)	(356)	—	(503)
Common stock repurchases	(575)	—	—	—	(575)
Cash dividends	(637)	—	—	—	(637)
Exercise of common stock options	45	—	—	—	45
Distributions paid to noncontrolling interests and other	(10)	—	(87)	—	(97)
(Increase) decrease in intercompany and investments, net	<u>(12)</u>	<u>170</u>	<u>(158)</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) financing activities	<u>(146)</u>	<u>23</u>	<u>(443)</u>	<u>—</u>	<u>(566)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Increase (decrease) in cash and cash equivalents	(346)	—	65	—	(281)
Cash and cash equivalents at beginning of period	<u>465</u>	<u>—</u>	<u>74</u>	<u>—</u>	<u>539</u>
Cash and cash equivalents at end of period	<u>\$ 119</u>	<u>\$ —</u>	<u>\$ 139</u>	<u>\$ —</u>	<u>\$ 258</u>

[Table of Contents](#)**WASTE MANAGEMENT, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)**

	<u>WM</u>	<u>WM Holdings</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2010					
Cash flows from operating activities:					
Consolidated net income	\$ 953	\$ 1,149	\$ 1,221	\$ (2,321)	\$ 1,002
Equity in earnings of subsidiaries, net of taxes	(1,149)	(1,172)	—	2,321	—
Other adjustments	<u>44</u>	<u>(3)</u>	<u>1,232</u>	<u>—</u>	<u>1,273</u>
Net cash provided by (used in) operating activities	<u>(152)</u>	<u>(26)</u>	<u>2,453</u>	<u>—</u>	<u>2,275</u>
Cash flows from investing activities:					
Acquisition of businesses, net of cash acquired	—	—	(407)	—	(407)
Capital expenditures	—	—	(1,104)	—	(1,104)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	44	—	44
Net receipts from restricted trust and escrow accounts and other, net	<u>(5)</u>	<u>—</u>	<u>(134)</u>	<u>—</u>	<u>(139)</u>
Net cash provided by (used in) investing activities	<u>(5)</u>	<u>—</u>	<u>(1,601)</u>	<u>—</u>	<u>(1,606)</u>
Cash flows from financing activities:					
New borrowings	592	—	316	—	908
Debt repayments	(617)	(35)	(460)	—	(1,112)
Common stock repurchases	(501)	—	—	—	(501)
Cash dividends	(604)	—	—	—	(604)
Exercise of common stock options	54	—	—	—	54
Distributions paid to noncontrolling interests and other	(6)	—	(12)	—	(18)
(Increase) decrease in intercompany and investments, net	<u>611</u>	<u>61</u>	<u>(672)</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) financing activities	<u>(471)</u>	<u>26</u>	<u>(828)</u>	<u>—</u>	<u>(1,273)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>3</u>
Increase (decrease) in cash and cash equivalents	(628)	—	27	—	(601)
Cash and cash equivalents at beginning of period	<u>1,093</u>	<u>—</u>	<u>47</u>	<u>—</u>	<u>1,140</u>
Cash and cash equivalents at end of period	<u>\$ 465</u>	<u>\$ —</u>	<u>\$ 74</u>	<u>\$ —</u>	<u>\$ 539</u>

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WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

24. Subsequent Event

In January 2013, we acquired Greenstar, LLC, an operator of recycling and resource recovery facilities. We paid cash consideration of \$170 million, subject to post-closing adjustments. Pursuant to the sale and purchase agreement, up to an additional \$40 million is payable to the sellers during the period from 2014 to 2018 should Greenstar, LLC satisfy certain performance criteria over this period.

Table of Contents**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

Item 9A. Controls and Procedures.**Effectiveness of Controls and Procedures**

Our management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to management (including the principal executive and financial officers) as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of December 31, 2012 (the end of the period covered by this Annual Report on Form 10-K).

Management's Report on Internal Control Over Financial Reporting

Management's report on our internal control over financial reporting can be found in Item 8, *Financial Statements and Supplementary Data*, of this report. Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2012 as stated in their report, which appears in Item 8 of this report.

Changes in Internal Control over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended December 31, 2012. We determined that there were no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item is incorporated by reference to the sections entitled "Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Executive Officers," in the Company's definitive Proxy Statement for its 2013 Annual Meeting of Stockholders (the "Proxy Statement"), to be held May 10, 2013. The Proxy Statement will be filed with the SEC within 120 days of the end of our fiscal year.

We have adopted a code of ethics that applies to our CEO, CFO and Chief Accounting Officer, as well as other officers, directors and employees of the Company. The code of ethics, entitled "Code of Conduct," is posted on our website at www.wm.com under the section "Corporate Governance" within the "Investor Relations" tab.

Item 11. Executive Compensation.

The information required by this Item is incorporated herein by reference to the sections entitled "Board of Directors — Non-Employee Director Compensation," "— Compensation Committee Report," "— Compensation Committee Interlocks and Insider Participation," "Executive Compensation — Compensation Discussion and Analysis" and "— Executive Compensation Tables" in the Proxy Statement.

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Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by this Item is incorporated herein by reference to the sections entitled “Equity Compensation Plan Table,” “Director Nominee and Officer Stock Ownership,” and “Persons Owning More than 5% of Waste Management Common Stock” in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required by this Item is incorporated herein by reference to the sections entitled “Board of Directors — Related Party Transactions” and “— Independence of Board Members” in the Proxy Statement.

Item 14. *Principal Accounting Fees and Services.*

The information required by this Item is incorporated herein by reference to the section entitled “Ratification of Independent Registered Public Accounting Firm — Independent Registered Public Accounting Firm Fee Information” in the Proxy Statement.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

(a) (1) Consolidated Financial Statements:

Reports of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2012 and 2011
Consolidated Statements of Operations for the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010
Consolidated Statements of Changes in Equity for the years ended December 31, 2012, 2011 and 2010
Notes to Consolidated Financial Statements

(a) (2) *Consolidated Financial Statement Schedules:*

Schedule II — Valuation and Qualifying Accounts

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

(b) *Exhibits:*

The exhibit list required by this Item is incorporated by reference to the Exhibit Index filed as part of this report.

[Table of Contents](#)**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WASTE MANAGEMENT, INC.

By: /s/ DAVID P. STEINER

David P. Steiner
*President, Chief Executive Officer and
 Director*

Date: February 14, 2013

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ DAVID P. STEINER</u> David P. Steiner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 14, 2013
<u>/s/ JAMES C. FISH, JR.</u> James C. Fish, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 14, 2013
<u>/s/ DON P. CARPENTER</u> Don P. Carpenter	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 14, 2013
<u>/s/ BRADBURY H. ANDERSON</u> Bradbury H. Anderson	Director	February 14, 2013
<u>/s/ PASTORA SAN JUAN CAFFERTY</u> Pastora San Juan Cafferty	Director	February 14, 2013
<u>/s/ FRANK M. CLARK</u> Frank M. Clark	Director	February 14, 2013
<u>/s/ PARTICK W. GROSS</u> Patrick W. Gross	Director	February 14, 2013
<u>/s/ VICTORIA M. HOLT</u> Victoria M. Holt	Director	February 14, 2013
<u>/s/ JOHN C. POPE</u> John C. Pope	Director	February 14, 2013
<u>/s/ W. ROBERT REUM</u> W. Robert Reum	Chairman of the Board and Director	February 14, 2013
<u>/s/ THOMAS H. WEIDEMEYER</u> Thomas H. Weidemeyer	Director	February 14, 2013

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders of Waste Management, Inc.

We have audited the consolidated financial statements of Waste Management, Inc. as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012, and have issued our report thereon dated February 14, 2013 (included elsewhere in this Form 10-K). Our audits also included the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 14, 2013

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WASTE MANAGEMENT, INC.
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(In Millions)

	Balance Beginning of Year	Charged (Credited) to Income	Accounts Written Off/Use of Reserve	Other (a)	Balance End of Year
2010 — Reserves for doubtful accounts(b)	\$ 32	\$ 41	\$ (47)	\$ 1	\$ 27
2011 — Reserves for doubtful accounts(b)	\$ 27	\$ 44	\$ (42)	\$ —	\$ 29
2012 — Reserves for doubtful accounts(b)	\$ 29	\$ 57	\$ (41)	\$ —	\$ 45
2010 — Merger and restructuring accruals(c)	\$ 10	\$ (2)	\$ (5)	\$ —	\$ 3
2011 — Merger and restructuring accruals(c)	\$ 3	\$ 19	\$ (13)	\$ —	\$ 9
2012 — Merger and restructuring accruals(c)	\$ 9	\$ 67	\$ (44)	\$ —	\$ 32

- (a) The “Other” activity is related to reserves associated with dispositions of businesses, reserves reclassified to operations held-for-sale, reclassifications among reserve accounts, and the impacts of foreign currency translation.
- (b) Includes reserves for doubtful accounts receivable and notes receivable.
- (c) Included in accrued liabilities in our Consolidated Balance Sheets. These accruals represent employee severance and benefit costs and transitional costs.

[Table of Contents](#)**INDEX TO EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
3.1	— Third Restated Certificate of Incorporation [incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 2010].
3.2	— Amended and Restated By-laws of Waste Management, Inc. [incorporated by reference to Exhibit 3.2 to Form 8-K dated December 6, 2012].
4.1	— Specimen Stock Certificate [incorporated by reference to Exhibit 4.1 to Form 10-K for the year ended December 31, 1998].
4.2	— Indenture for Subordinated Debt Securities dated February 3, 1997, among the Registrant and The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee [incorporated by reference to Exhibit 4.1 to Form 8-K dated February 7, 1997].
4.3	— Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee [incorporated by reference to Exhibit 4.1 to Form 8-K dated September 10, 1997].
4.4	— Officers' Certificate delivered pursuant to Section 301 of the Indenture dated September 10, 1997 by and between Waste Management, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, establishing the terms and form of Waste Management, Inc.'s 2.60% Senior Notes due 2016 [incorporated by reference to Exhibit 4.1 to Form 10-Q for the quarter ended September 30, 2012].
4.5	— Guarantee Agreement by Waste Management Holdings, Inc. in favor of The Bank of New York Mellon Trust Company, N.A., as Trustee for the holders of Waste Management, Inc.'s 2.60% Senior Notes due 2016 [incorporated by reference to Exhibit 4.2 to Form 10-Q for the quarter ended September 30, 2012].
4.6*	— Schedule of Officers' Certificates delivered pursuant to Section 301 of the Indenture dated September 10, 1997 establishing the terms and form of Waste Management, Inc.'s Senior Notes. Waste Management and its subsidiaries are parties to debt instruments that have not been filed with the SEC under which the total amount of securities authorized under any single instrument does not exceed 10% of the total assets of Waste Management and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Waste Management agrees to furnish a copy of such instruments to the SEC upon request.
10.1†	— 2009 Stock Incentive Plan [incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed March 25, 2009].
10.2†	— 2005 Annual Incentive Plan [incorporated by reference to Appendix D to the Proxy Statement on Schedule 14A filed April 8, 2004].
10.3†	— Employee Stock Purchase Plan [incorporated by reference to Appendix A to the Proxy Statement on Schedule 14A filed March 28, 2012].
10.4†	— Waste Management, Inc. 409A Deferral Savings Plan. [incorporated by reference to Exhibit 10.4 to Form 10-K for the year ended December 31, 2006].
10.5†	— 1993 Stock Incentive Plan [incorporated by reference to Exhibit 10.2 to Form 10-K for the year ended December 31, 1998].
10.6†	— 2000 Stock Incentive Plan [incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed April 6, 2000].
10.7†	— 2004 Stock Incentive Plan [incorporated by reference to Appendix C to Proxy Statement on Schedule 14A filed April 8, 2004].

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- 10.8 — \$2 Billion Amended and Restated Revolving Credit Agreement dated as of May 9, 2011 by and among Waste Management, Inc. and Waste Management Holdings, Inc. and certain banks party thereto, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. and Barclays Capital, as Syndication Agents, Deutsche Bank Securities Inc. and The Royal Bank of Scotland PLC, as Documentation Agents, BNP Paribas and Citibank, N.A., as Co-Documentation Agents and Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, and Barclays Capital, as Joint Lead Arrangers and Book Managers [incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2011].
- 10.9† — Employment Agreement between the Company and David Steiner dated May 6, 2002 [incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2002].
- 10.10† — Employment Agreement between the Company and James E. Trevathan dated June 1, 2000 [incorporated by reference to Exhibit 10.20 to Form 10-K for the year ended December 31, 2000].
- 10.11† — Amendment to Employment Agreement between the Company and James E. Trevathan [incorporated by reference to Exhibit 10.3 to Form 8-K dated March 9, 2011].
- 10.12† — Employment Agreement between the Company and James C. Fish, Jr. dated August 15, 2011 [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2011].
- 10.13† — First Amendment to Employment Agreement between the Company and James C. Fish, Jr. dated July 20, 2012 [incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2012].
- 10.14† — Employment Agreement between the Company and Jeff Harris dated December 1, 2006 [incorporated by reference to Exhibit 10.1 to Form 8-K dated December 1, 2006].
- 10.15† — Amendment to Employment Agreement by and between the Company and Jeff Harris [incorporated by reference to Exhibit 10.6 to Form 10-Q for the quarter ended March 30, 2011].
- 10.16† — Employment Agreement between the Company and John Morris dated June 18, 2012 [incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended June 30, 2012].
- 10.17† — Employment Agreement between the Company and Barry H. Caldwell dated September 23, 2002 [incorporated by reference to Exhibit 10.24 to Form 10-K for the year ended December 31, 2002].
- 10.18† — Employment Agreement between the Company and David Aardsma dated June 16, 2005 [incorporated by reference to Exhibit 10.1 to Form 8-K dated June 16, 2005].
- 10.19† — Employment Agreement between the Company and Rick L Wittenbraker dated November 10, 2003 [incorporated by reference to Exhibit 10.30 to Form 10-K for the year ended December 31, 2003].
- 10.20† — Employment Agreement between the Company and William K. Caesar dated August 23, 2011 [incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 30, 2011].
- 10.21† — Employment Agreement between the Company and Puneet Bhasin dated December 7, 2009 [incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 2009].
- 10.22† — Employment Agreement between the Company and Mark Schwartz dated July 5, 2012 [incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ended June 30, 2012].
- 10.23†* — Employment Agreement between the Company and Don P. Carpenter dated July 31, 2000, as amended by First Amendment to Employment Agreement between USA Waste-Management Resources, LLC and Don P. Carpenter effective as of August 24, 2012.
- 10.24† — Employment Agreement between Wheelabrator Technologies Inc. and Mark A. Weidman dated May 11, 2006 [incorporated by reference to Exhibit 10.1 to Form 8-K dated May 11, 2006].
- 10.25† — Employment Agreement between the Company and Cherie C. Rice dated August 26, 2005 [incorporated by reference to Exhibit 10.1 to Form 8-K dated August 26, 2005].
- 10.26† — Separation Agreement between Waste Management Holdings, Inc. and Cherie C. Rice dated October 12, 2012 [incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 30, 2012].
- 10.27† — Employment Agreement between the Company and Greg A. Robertson dated August 1, 2003 [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2004].

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10.28†*	—	Separation Agreement between Waste Management Holdings, Inc. and Greg Robertson dated October 31, 2012.
10.29†	—	Employment Agreement between the Company and Duane C. Woods dated October 20, 2004 [incorporated by reference to Exhibit 10.2 to Form 8-K dated October 20, 2004].
10.30†	—	Amendment to Employment Agreement by and between the Company and Duane C. Woods [incorporated by reference to Exhibit 10.4 to Form 8-K dated March 9, 2011].
10.31†*	—	Separation Agreement by and between the Company and Duane C. Woods dated November 29, 2012.
10.32†	—	Employment Agreement between Waste Management, Inc. and Brett Frazier dated July 13, 2007 [incorporated by reference to Exhibit 10.1 to Form 8-K dated July 13, 2007].
10.33†	—	Amendment to Employment Agreement between the Company and Brett W. Frazier [incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ended March 30, 2011].
10.34†	—	Separation Agreement between the Company and Brett W. Frazier dated August 17, 2012 [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2012].
10.35†	—	Employment Agreement between the Company and Carl V. Rush [incorporated by reference to Exhibit 10.7 to Form 10-Q for the quarter ended March 30, 2011].
10.36†*	—	Separation Agreement between Waste Management Holdings, Inc. and Carl Rush dated October 25, 2012.
10.37†	—	Employment Agreement between the Company and Grace Cowan [incorporated by reference to Exhibit 10.8 to Form 10-Q for the quarter ended March 30, 2011].
10.38†	—	Separation Agreement between the Company and Grace Cowan dated July 25, 2012 [incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended September 30, 2012].
10.39†	—	Employment Agreement between the Company and Steven C. Preston dated October 5, 2011 [incorporated by reference to Exhibit 10.1 to Form 8-K dated October 2, 2011].
10.40†	—	Resignation Agreement between the Company and Steven C. Preston dated July 5, 2011 [incorporated by reference to Exhibit 10.1 to Form 8-K dated July 3, 2012].
10.41†	—	Employment Agreement between Recycle America Alliance, L.L.C. and Patrick DeRueda dated August 4, 2005 [incorporated by reference to Exhibit 10.1 to Form 8-K dated August 4, 2005].
10.42†*	—	General Release Agreement between Waste Management Holdings, Inc. and Patrick DeRueda dated September 28, 2012.
10.43†*	—	Form of Director and Executive Officer Indemnity Agreement.
10.44†	—	Form of 2012 Restricted Stock Unit Award Agreement [incorporated by reference to Exhibit 10.2 to Form 8-K dated July 3, 2012].
10.45†	—	Form of 2012 Performance Share Unit Award Agreement with ROIC Performance Measure [incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2012].
10.46†	—	Form of 2012 Performance Share Unit Award Agreement with TSR Performance Measure [incorporated by reference to Exhibit 10.2 to Form 8-K dated March 9, 2012].
10.47†	—	Form of 2012 Stock Option Award Agreement [incorporated by reference to Exhibit 10.2 to Form 8-K dated March 9, 2012].
10.48†	—	Form of 2011 Performance Share Unit Award Agreement [incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2011].
10.49†	—	Form of 2011 Stock Option Award Agreement [incorporated by reference to Exhibit 10.2 to Form 8-K dated March 9, 2011].
10.50†	—	Form of 2010 Performance Share Unit Award Agreement [incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2010].
10.51†	—	Form of 2010 Stock Option Award Agreement [incorporated by reference to Exhibit 10.2 to Form 8-K dated March 9, 2010].
12.1*	—	Computation of Ratio of Earnings to Fixed Charges.
21.1*	—	Subsidiaries of the Registrant.

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23.1*	—	Consent of Independent Registered Public Accounting Firm.
31.1*	—	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, of David P. Steiner, President and Chief Executive Officer.
31.2*	—	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, of James C. Fish, Jr., Executive Vice President and Chief Financial Officer.
32.1*	—	Certification Pursuant to 18 U.S.C. §1350 of David P. Steiner, President and Chief Executive Officer.
32.2*	—	Certification Pursuant to 18 U.S.C. §1350 of James C. Fish, Jr., Executive Vice President and Chief Financial Officer.
95*	—	Mine Safety Disclosures.
101.INS**	—	XBRL Instance Document.
101.SCH**	—	XBRL Taxonomy Extension Schema Document.
101.CAL**	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	—	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	—	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE**	—	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Furnished herewith.

† Denotes management contract or compensatory plan or arrangement.

Exhibit 4.6

Schedule of Officers' Certificates
delivered pursuant to Section 301 of the Indenture dated September 10, 1997
by and between Waste Management, Inc. and The Bank of New York Mellon Trust Company, N.A., as
Trustee, establishing the terms and form of Waste Management, Inc.'s Outstanding Senior Notes

<u>Principal Amount Issued</u>	<u>Interest Rate (per annum)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>CUSIP</u>	<u>Interest Payment Dates</u>
\$150 million*	7.125%	12/17/1997	12/15/2017	902917AF0	December 15; June 15
\$600 million*	7.00%	7/17/1998	7/15/2028	902917AH6	January 15; July 15
\$250 million*	7.375%	12/21/1999	5/15/2029	94106LAG4	May 15; November 15
\$500 million*	7.75%	5/21/2002	5/15/2032	94106LAN9	May 15; November 15
\$350 million	5.00%	3/5/2004	3/15/2014	94106LAR0	March 15; September 15
\$600 million	6.10%	3/6/2008	3/15/2018**	94106LAS8	March 15; September 15
\$350 million	6.375%	2/26/2009	3/11/2015**	94106LAT6	March 11; September 11
\$450 million	7.375%	2/26/2009	3/11/2019**	94106LAU3	March 11; September 11
\$600 million	6.125%	11/12/2009	11/30/2039**	94106LAV1	May 30; November 30
\$600 million	4.75%	6/8/2010	6/30/2020**	94106LAW9	June 30; December 30
\$400 million	4.60%	2/28/2011	3/1/2021**	941063AQ2	March 1; September 1
\$500 million	2.60%	8/29/2011	9/1/2016**	94106LAX7	March 1; September 1
\$500 million	2.90%	9/12/2012	9/15/2022**	94106LAY5	March 15; September 15

* Each of these series of Senior Notes has been partially redeemed, such that the remaining outstanding principal amount of such Senior Notes as of December 31, 2012 was \$146.8 million, \$577.2 million, \$222.9 million and \$496.0 million, respectively.

** Each of these series of Senior Notes contain a Change of Control Offer covenant that provides, if a change of control triggering event 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.

This schedule is provided in accordance with Instruction 2 to Regulation S-K Item 601, as each of the series of Series Notes is governed by an instrument that differs only in the material respects set forth in the schedule above from the Officers' Certificate identified as Exhibit 4.4. Each of the series of Senior Notes identified above is also guaranteed by Waste Management Holdings, Inc. in favor of The Bank of New York Mellon Trust Company, N.A., as Trustee for the holders of Waste Management, Inc.'s Senior Notes.

EXHIBIT 10.23**FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT**

USA Waste-Management Resources, LLC, for itself and on behalf of Waste Management, Inc. (WMI) and subsidiaries and affiliated entities (collectively the "Company") and Don Patrick Carpenter (the "Employee") amend the Employment Agreement dated July 31, 2000, between the Company and the Employee (the "Employment Agreement"). The Effective Date of this Amendment shall be August 24, 2012. The Employment Agreement is amended, as follows:

1. As of the Effective Date, Section 3(a) of the Employment Agreement is hereby amended in its entirety to read as follows:

"Executive is employed by USA Waste-Management Resources, LLC, one of whose purposes is to provide employee services to WMI and to various subsidiaries and affiliated entities pursuant to one or more master services agreements. Employee shall perform such duties and services as may be assigned to Employee pursuant master service agreement. Employee's employment and the Employment Agreement may be transferred or assigned to another subsidiary or affiliated entity. Among other duties and responsibilities that may be assigned to Employee, Employee will serve as Vice President/Chief Accounting Officer as required under the Securities and Exchange Act of 1934 and related SEC regulations."

2. As of the Effective Date, the first sentence of Section 4(a) of the Employment Agreement is hereby amended in its entirety to read as follows:

"During the Employment Period, the Company shall pay Executive a base salary at the annual rate of Three Hundred Five Thousand and 00/100ths Dollars (\$305,000.00) per year, or such higher rate as may be determined from time to time by the Company ("Base Salary")."

3. As of the Effective Date, Section 4(d) of the Employment Agreement is hereby amended in its entirety to read as follows:

"During the Employment Period, Executive will be entitled to participate in an annual incentive compensation plan of the Company, as established by the Management Development and Compensation Committee ("Compensation Committee") of the Board from time to time. Executive's target annual bonus under this Agreement will be fifty percent (50%) of his Base Salary in effect for such year (the "Target Bonus"), and his actual annual bonus may range from 0% to 100% of Base Salary (*i.e.* , a maximum possible bonus of two times the Target Bonus), and will be determined based upon (i) the achievement of certain corporate financial and/or performance goals, as may be established and approved

from time to time by the Compensation Committee of the Board, and (ii) the achievement of personal performance goals as may be established by Executive's immediate supervisor. The annual bonus will be paid at such time and in such manner as set forth in the annual incentive compensation plan document."

IN WITNESS WHEREOF, the parties hereto have duly executed this First Amendment to the Employment Agreement.

DON PATRICK CARPENTER
("Employee")

/s/ Don Patrick Carpenter

Don Patrick Carpenter

**USA WASTE-MANAGEMENT
RESOURCES, LLC**

By: /s/ Mark A. Lockett

Its: President

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC., for and on behalf of its affiliated corporations (collectively referred to as the "Company"), and **Don Patrick Carpenter** (the "Employee") agree to enter into this EMPLOYMENT AGREEMENT (the "Agreement") dated as of July 31, 2000, as follows:

1. Employment.

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

2. Term of Employment.

Employee shall be employed for continually renewing one (1) year terms, unless terminated pursuant to the terms of Sections 5 and 6 of this Agreement.

3. Duties and Responsibilities.

- (a) Employee shall serve as Senior Director-Federal and International Taxes. In such capacity, Employee shall perform such duties as may be assigned to Employee from time to time by the Company.
- (b) Employee shall faithfully serve the Company, devote Employee's full working time, attention and energies to the business of the Company and perform the duties under this Agreement to the best of Employee's abilities.
- (c) Employee shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. Compensation and Benefits.

- (a) **Base Salary.** During the Employment Term, the Company shall pay Employee a base salary at the annual rate of Two Hundred Thousand (\$200,000) Dollars per year, or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for employees.
- (b) **Expense Reimbursement.** The Company shall promptly reimburse Employee for the ordinary and necessary business expenses incurred by Employee in the performance of Employee's duties hereunder in accordance with the Company's customary practices applicable to employees, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (c) **Benefit Plans.** Employee shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, practices or arrangements, or any other benefit plan or arrangement, generally made available by the Company to employees of similar status and responsibilities ("similarly situated employees").

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- (d) **Incentive/Bonus.** Employee shall be eligible for an annual bonus or incentive compensation payment (“bonus”) of up to thirty-five percent (35%) of Employee’s Base Salary, or such higher bonus rate as may be determined from time to time by the Company. Qualification for the bonus shall be pursuant to the applicable Incentive Compensation Plan in effect for the year in which the bonus is earned.

5. Termination of Employment.

Employee’s employment hereunder may be terminated under the following circumstances:

- (a) **Death.** Employee’s employment hereunder shall terminate upon Employee’s death.
- (b) **Total Disability.** The Company may terminate Employee’s employment hereunder upon Employee’s becoming “Totally Disabled”. For purposes of this Agreement, Employee shall be “Totally Disabled” if Employee is physically or mentally incapacitated so as to render Employee incapable of performing the usual and customary duties under this Agreement. Employee’s receipt of disability benefits under the Company’s long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Employee’s receipt of such long-term disability benefits or Social Security benefits, the Company may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Employee is Totally Disabled.
- (c) **Termination by the Company for Cause.** The Company may terminate Employee’s employment hereunder for “Cause” at any time after providing written notice to Employee.
- (i) For purposes of this Agreement, the term “Cause” shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days’ written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company’s normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 7 hereof.
- (ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual’s termination initially was considered to have been for Cause.
- (iii) Any determination of Cause under this Agreement shall be made by the Company after giving Employee a reasonable opportunity to be heard.
- (d) **Voluntary Termination by Employee.** Employee may terminate employment hereunder at any time after providing forty-five (45) days’ written notice to the Company.

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- (e) **Termination by the Company without Cause.** The Company may terminate Employee's employment hereunder without Cause at any time after providing written notice to Employee.

6. Compensation Following Termination of Employment.

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

- (a) **Termination by Reason of Death.** In the event that Employee's employment is terminated by reason of Employee's death, the Company shall pay the following amounts to Employee's beneficiary or estate:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement, and any vacation accrued to the date of death.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof as determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Employee's death) which would have been payable to Employee if Employee had continued in employment until the end of the thirty (30) day term beginning on the date of Employee's death. Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Employee's death.
- (b) **Termination by Reason of Total Disability.** In the event that Employee's employment is terminated by reason of Employee's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Employee:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) An amount equal to
 - (A) the Base Salary (at the rate in effect as of the date of Employee's Total Disability) which would have been payable to Employee if Employee had continued in active employment until the end of the six- (6) month period beginning on the date of Employee's termination; reduced by
 - (B) the maximum annual amount of the long term disability benefits payable to Employee under the Company's long-term disability plan as determined prior to the reduction of such benefits under the terms of the plan for other disability income.

Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period.

- (c) **Termination for Cause or Voluntary Termination by Employee.** In the event that Employee's employment is terminated by the Company for Cause pursuant to Section 5(c), or Employee terminates employment pursuant to Section 5(d), the Company shall pay the following amounts to Employee:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (d) **Termination by the Company Without Cause.** In the event that Employee's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Employee:
- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
 - (ii) Any benefits to which Employee may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
 - (iii) The Base Salary (at the rate in effect as of the date of Employee's termination) which would have been payable to Employee if Employee had continued in active employment until the end of the twelve- (12) month period beginning on the date of Employee's termination. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Employee had remained in active employment until the end of such period. The Employee shall also be eligible for a bonus or incentive compensation payment to the extent bonuses are paid to similarly situated employees, prorated for the year in which the Employee is terminated, and paid when similarly situated employees are paid.
 - (iv) The Company completely at its expense will continue for Employee and Employee's spouse and dependents, group health plans, programs or arrangements, in which Employee was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earlier of: (A) last day of period during which Employee receives payment in accordance with clause (iii) above; (B) Employee's death (provided that benefits payable to Employee's beneficiaries shall not terminate upon Employee's death); or (C) with respect to any particular plan, program or arrangement, the date Employee becomes covered by a comparable benefit provided by a subsequent employer.

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- (e) **No Other Benefits or Compensation.** Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Employee at the time of Employee's termination or resignation of employment, Employee shall have no right to receive from the Company any other compensation, or to participate in any other Company plan, arrangement or benefit, with respect to future periods after such termination or resignation.
- (f) **Suspension or Termination of Benefits and Compensation.** In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Employee has
- (i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or
 - (ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Employee's employment hereunder or during any of the twelve calendar months preceding or following the termination of Employee's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised, any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Employee.

7. Restrictive Covenants

- (a) **Competitive Activity.** Employee covenants and agrees that at all times during Employee's period of employment with the Company, and while Employee is receiving payments pursuant to Section 6 of this Agreement, Employee will not, directly or indirectly, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Furthermore, in consideration of the specialized training and access to confidential information, for a period of six (6) months after the date of termination of Employee's employment, or six (6) months following the cessation of payments made pursuant to Section 6 of this Agreement, whether such termination is voluntary or involuntary, by wrongful discharge, or otherwise, whichever date is later, Employee will not directly or indirectly, engage in a competitive activity in any of the geographic markets in which the Employee has worked for the twelve (12) months preceding his termination, or within 75 miles of the principal place of business of the Company, the principal place of

business of any corporation or other entity owned, controlled by (or otherwise affiliated with) the Company by which Employee may also be employed or served by Employee, or any other geographic location in which Employee has specifically represented the interests of the Company or such other affiliated entity, during the twelve (12) months prior to the termination of Employee's employment, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so.

- (b) **Non-Solicitation** . Employee covenants and agrees that at all times during Employee's period of employment with the Company, and for a period of one (1) year after the date of termination of Employee's employment, or the date of the cessation of payments made to the Employee pursuant to Section 6 of this Agreement, whichever is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Employee will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company or (v) individually or through any person, firm, association or corporation with which he is now, or may hereafter become associated, cause, solicit, entice or induce any present or future employee of the Company, or any corporation affiliated with the Company, to leave the employ of the Company, or such other corporation, to accept employment with, or compensation from the Employee, or any such person, firm, association or corporation without prior written consent of the Company.
- (c) **Non-Disparagement**. Employee covenants and agrees that Employee shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company.
- (d) **Protected Information**. Employee recognizes and acknowledges that Employee has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Employee therefore covenants and agrees that Employee will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

8. Enforcement of Covenants.

- (a) **Termination of Employment and Forfeiture of Compensation.** Employee agrees that any breach by Employee of any of the covenants set forth in Section 7 hereof during Employee's employment by the Company, shall be grounds for immediate dismissal of Employee and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Employee as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Employee.
- (b) **Right to Injunction.** Employee acknowledges that a breach of the covenants set forth in Section 7 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach or anticipatory breach of the covenants set forth in this section by Employee, Employee and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Employee hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) **Separability of Covenants.** The covenants contained in Section 7 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 7 exceed the time, geographic, or occupational limitations permitted by applicable laws, Employee and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such proceeding. Employee and the Company further agree that the covenants in Section 7 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Employee against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 7.

9. Withholding of Taxes.

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

10. Non-Disclosure of Agreement Terms.

Employee agrees that Employee will not disclose the terms of this Agreement to any third party other than Employee's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

11. Source of Payments.

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

12. Assignment.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Employee.

13. Entire Agreement; Amendment.

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

14. Governing Law.

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

15. Notices.

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

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

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

16. Miscellaneous.

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

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- (b) **Separability.** Subject to Section 8 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) **Headings.** Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) **Rules of Construction.** Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: /s/ Robert G. Simpson
Name: Robert G. Simpson
Title: Vice President, Taxation
Date: July 31, 2000

EMPLOYEE

/s/ Don Patrick Carpenter
Don Patrick Carpenter
Date: July 31, 2000

Exhibit 10.28**SEPARATION AGREEMENT**

This Agreement is entered into by and between Greg Robertson (“you”) and Waste Management Holdings, Inc. (the “Company”) and arises out of your decision to voluntarily resign your employment. In consideration of the promises contained in this document, the parties agree as follows:

WHEREAS, you have resigned your employment with the Company and all of the Company’s subsidiaries, parents or affiliates (collectively with the Company referred to as “Waste Management”);

WHEREAS, you have elected to voluntarily resign and accept benefits under the Company’s Voluntary Early Retirement Program (VERP);

WHEREAS, you previously entered in an Employment Agreement with Waste Management on August 1, 2003;

WHEREAS, in order to receive the payments and benefits described below, you release any claim for payments and benefits under Section 6 and Section 7 of your previously executed Employment Agreement; and

WHEREAS, you are only entitled to the payments described in this Agreement if you agree to its terms and execute the Agreement.

1. Payments and Benefits . You will be offered benefits according to the Voluntary Early/Enhanced Retirement Plan (the “Plan”) after your final day of employment on October 26, 2012. As described in the Plan and in exchange for the promises by you below, you will receive severance in the gross amount of Four Hundred Sixty-Five Thousand and Sixteen Cents (\$465,000.16) payable as follows: a lump sum payment in the gross amount of \$232,500.08 payable after the expiration of the revocation period described in Paragraph 5; and \$232,500.08 payable over the twelve months following your separation in accordance with the Company’s normal payroll practices. In addition, you will receive a severance bonus in the amount of \$63,550.02 payable on or about March 15, 2013. Applicable federal, state, and local payroll taxes will be deducted from these payments, and no payments will be made before the expiration of the revocation period described below.

In addition, if you timely elect COBRA continuation coverage, the Company will continue coverage for you and your spouse and dependents, at the same rate you and your spouse and dependents would have otherwise been entitled to had your employment continued until the earlier of (A) last day of period during which you receive payment in accordance with the first paragraph of Section 1; (B) your death (provided that benefits payable to your beneficiaries shall not terminate upon your death); or (C) with respect to any particular COBRA provided coverage, the date you become entitled to be covered by a comparable benefit provided by a subsequent employer. After the expiration of any such period, the cost for any remaining COBRA coverage, if any, will be borne exclusively by you.

In further consideration of the promises and mutual promises herein contained, the Company will provide you with outplacement services with the Company's preferred vendor at a program level and duration determined by the Company. The cost for such outplacement services will be borne exclusively by the Company and you must enroll in this benefit within thirty (30) days of your execution of this Agreement.

In addition, as described in the VERP, your termination of employment will be treated as a voluntary resignation under each of your outstanding equity award agreements, with your combination of age and service being sufficient to qualify for Retirement treatment (as defined in each such option award agreement). Moreover, the Performance Share Unit Award and the Restricted Share Unit Award granted to you on March 9, 2012, will continue to vest through December 31, 2012 and March 9, 2013, respectively

In the event that you violate one or more of the post-employment restrictions on your conduct that are provided for in Section 7 (entitled "Loss of Benefits Due to Prohibited Conduct") of the Plan, you will forfeit any benefits not yet paid to you under this Agreement (with the exception of the first payment made to you) in accordance with the Plan's terms and as determined by the Plan administrator. However, you agree that if such an event occurs, then the first payment made to you will be considered sufficient consideration for the General Release set forth below in Paragraph 2 and your agreement to comply with (and not contest) Sections 8 and 9 of your previously executed Employment Agreement, as set forth in Paragraph 4 of this Agreement. Accordingly, your Release and Employment Agreement shall survive such a forfeiture of benefits and cessation of payments.

2. General Release. In exchange for the first payment made to you pursuant to Paragraph 1, you release and discharge Waste Management, its past and present parent, subsidiary and affiliated companies, agents, directors, officers, employees, and representatives, and all persons acting by, through, under or in concert with Waste Management (collectively referred to as the "Released Parties"), from any and all causes of action, claims, liabilities, obligations, promises, agreements, controversies, damages, and expenses, known or unknown, which you ever had, or now have, against the Released Parties to the date of this Agreement. The claims you release include, but are not limited to, claims that the Released Parties:

- discriminated against you on the basis of your race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, veteran status, source of income, entitlement to benefits, union activities, age or any other claim or right you may have under the Age Discrimination in Employment Act ("ADEA"), or
- any other status protected by local, state or federal laws, constitutions, regulations, ordinances, executive orders, including but not limited to the Massachusetts Fair Employment Practices Act, the New Jersey Conscientious Employee Protection Act, the New Jersey Law Against Discrimination, the New Jersey Whistleblower Act, North Dakota Century Code §9-13-02 and South Dakota Code Laws § 20-7-11; or

-
- failed to give proper notice of this employment termination under the Workers Adjustment and Retraining Notification Act (“WARN”), or any similar state or local statute or ordinance; or
 - violated any other federal, state, or local employment statute, such as the Employee Retirement Income Security Act of 1974, which, among other things, protects employee benefits; the Fair Labor Standards Act, which regulates wage and hour matters; the Family and Medical Leave Act, which requires employers to provide leaves of absence under certain circumstances; Title VII of the Civil Rights Act of 1964; the Older Workers Benefits Protection Act; the Americans With Disabilities Act; the Rehabilitation Act; OSHA; and any other laws relating to employment; or
 - violated its personnel policies, handbooks, any covenant of good faith and fair dealing, or any contract of employment between you and any of the Released Parties; or
 - violated public policy or common law, including claims for: personal injury, invasion of privacy, retaliatory discharge, negligent hiring, retention or supervision, defamation, intentional or negligent infliction of emotional distress and/or mental anguish, intentional interference with contract, negligence, detrimental reliance, loss of consortium to you or any member of your family, and/or promissory estoppel; or
 - is in any way obligated for any reason to pay your damages, expenses, litigation costs (including attorneys’ fees), bonuses, commissions, disability benefits, compensatory damages, punitive damages, and/or interest.

You are not prohibited from making or asserting (a) any claim or right under state workers’ compensation or unemployment laws, or (b) any claim or right, which by law cannot be waived. You waive, however, the right to recover money if any federal, state or local government agency pursues a claim on your behalf or on behalf of a class to which you may belong that arises out of or relates to your employment or termination of employment.

For the purpose of giving a full and complete release, you covenant and agree that you have no pending claims or charges against the Released Parties, and if you do so have, you agree to promptly file all appropriate papers requesting withdrawal and dismissal of such claims and/or charges. You understand and agree that this Agreement includes all claims that you may have and that you do not now know or suspect to exist in your favor against the Released Parties, and that this Agreement extinguishes those claims.

Nothing in this Agreement shall affect the U.S. Equal Employment Opportunity Commission’s (“EEOC”) rights and responsibilities to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967 (“ADEA”), as amended, or any other applicable law. Further, nothing in this Agreement shall be construed as a basis for interfering with your protected right to challenge the waiver of an ADEA claim under the Older Workers Benefit Protection Act, or to file a charge with, or participate in an investigation or proceeding conducted by, the EEOC, or any other state, federal or local government entity; provided, however, if the EEOC or any other state, federal or local government entity

commences an investigation on your behalf, you specifically waive and release your right, if any, to recover any monetary or other benefits of any sort whatsoever arising from any such investigation, nor will you seek reinstatement to your former position with the Company. Nothing in this Agreement shall be construed to waive a claim or right that cannot be lawfully waived through private agreement.

You are not being asked, however, to release any claims or rights under ADEA that may arise after you execute this Agreement. Moreover, you are not being asked to waive any rights to indemnification that may exist under the certificate of incorporation or bylaws of Waste Management, Inc. or its subsidiaries.

3. **Covenant Not to Sue**. You agree not to sue any of the Released Parties or become a party to a lawsuit on the basis of any claims of any type to date that arise out of any aspect of your employment or termination of employment. You understand that this is an affirmative promise by you not to sue any of the Released Parties, which is in addition to your general release of claims in Paragraph 2 above. However, nothing in this Agreement prevents you from bringing an action challenging the validity of this Agreement. If you breach this Agreement by suing any of the Released Parties in violation of this Covenant Not to Sue, you understand that (i) the Released Parties will be entitled to apply for and receive an injunction to restrain any violation of this paragraph, and (ii) you will be required to pay the Released Parties' legal costs and expenses, including reasonable attorney fees, associated with defending against the lawsuit and enforcing the terms of this Agreement.

4. **Covenant Not to Compete and Non-Solicitation Provisions**. You hereby affirm Sections 8 and 9 of your existing Employment Agreement and the post-employment obligations set forth therein and represent that you intend to comply with those obligations. You agree that those obligations survive and continue to apply to you in accordance with their terms, and that the same are incorporated herein by reference as if set forth in full. You further stipulate that the post-employment restrictions in your existing Employment Agreement are reasonable and necessary for the protection of the Company's legitimate business interests, and agree not to contest the enforceability of the post-employment obligations of your existing Employment Agreement where such apply.

You acknowledge that because you had access to and/or developed or enhanced confidential information, trade secrets, customer relationships, goodwill and the work force of Waste Management during your employment, the covenants in this paragraph are necessary to protect these valuable assets and intellectual capital from which Waste Management derives economic value. Forfeiture of continued payments and benefits provided for in Section 1 above due to a violation of the post-employment restrictions provided for in the Plan shall not affect the continued application of Sections 8 and 9 of your existing Employment Agreement, and the remedies provided for therein.

5. **Acknowledgments**. You have fully reviewed the terms of this Agreement, acknowledge that you understand its terms, and state that you are entering into this Agreement knowingly, voluntarily, and in full settlement of all claims which existed in the past or which currently exist, that arise out of your employment with Waste Management or the termination of your employment.

You acknowledge that you have had at least forty-five (45) days to consider this General Release Agreement thoroughly, and you understand that you have the right to consult with an attorney, before you sign below and are advised to do so.

If you sign and return this Separation Agreement before the end of the 45-day period, you certify that your acceptance of a shortened time period is knowing and voluntary, and the Company did not — through fraud, misrepresentation, a threat to withdraw or alter the offer before the 45-day period expires, or by providing different terms to other employees who sign the release before such time period expires — improperly encourage you to sign.

You understand that you may revoke this Separation Agreement within seven (7) days after you sign it. Your revocation must be in writing and submitted via facsimile within the seven (7) day period to **Andrea Vizcaino at facsimile number (713) 287-2497**. If you do not revoke this Separation Agreement within the seven (7) day period, it becomes irrevocable. You further understand that if you revoke this Separation Agreement, you will not be eligible to receive the benefits described in paragraph 1. Benefits will be processed as soon as administratively possible after the end of this seven (7) day period.

You also acknowledge that, before signing this Agreement, you received certain information about eligibility for the benefits available under this Agreement and the persons affected by this employment termination program, including the job titles and ages of both the persons selected and not selected to receive the benefits available under this Agreement. This information is attached to this Agreement as Appendix A.

You agree and accept that any equity-based compensation awards previously granted to you, that are not already expressly set forth and addressed in Paragraph 1 of this Agreement, will be vested and exercised according to the terms and conditions of each equity-based incentive award, notwithstanding any other representation, whether written or oral, to the contrary.

6. Non-Disparagement and Future Cooperation. In further consideration of the promises and mutual promises contained herein, you covenant and agree that you will not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company. You specifically agree that the failure to comply with the terms of this Paragraph shall amount to a material breach of this Agreement.

You further agree that, subject to reimbursement by Waste Management of reasonable out-of-pocket costs and expenses, you will cooperate with Waste Management and its attorneys with respect to any matter (including litigation, investigation, or governmental proceeding) that relates to matters with which you were involved while you were employed by Waste Management. Your required cooperation may include making yourself available for conferences and interviews, and in general providing Waste Management and its attorneys with the full benefit of your knowledge with respect to any such matter. You agree to cooperate in a timely fashion and at times and locations that are agreeable to both parties.

7. **Return of Property**. You must return to Waste Management on your last day of employment all documents, files (including copies), and any other Waste Management property.

8. **General Provisions**. This Agreement is assignable only by Waste Management Holdings, Inc., shall inure to the benefit of Waste Management Holding Inc.'s assigns, successors, affiliates, and Released Parties, and is binding on the parties, their representatives, agents and assigns, and as to you, your spouse, heirs, legatees, administrators, and personal representatives.

Except as otherwise expressly provided for herein (such as incorporation of Sections 8 and 9 of your existing Employment Agreement), this Agreement is the exclusive and complete agreement between you and Waste Management relating to the subject matter of this Agreement. No amendment of this Agreement will be binding unless in writing and signed by you and the Company.

The parties acknowledge and agree that if any provision of this Agreement is found, held or deemed by a court of competent jurisdiction void, unlawful or unenforceable under any statute or controlling law, the rest of this Agreement will continue in full force and effect.

If any legal action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs and expenses from the other party, in addition to any other relief to which the prevailing party is entitled.

This Agreement is made and entered into in the State of Texas, and in all respects will be interpreted, enforced and governed under applicable federal law and in the event that any reference shall be made to State law, the internal laws of the State of Texas will apply. A court of competent jurisdiction in the State of Texas will hear and resolve any disputes under this Agreement.

EMPLOYEE

WASTE MANAGEMENT HOLDINGS, INC.

By: /s/ Greg Robertson
Greg Robertson

By: /s/ Mark Schwartz
Its: Authorized Representative

Date: October 31, 2012

Employee Work Location: 1001 Fannin Street, Suite 4000, Houston, TX 77002

Sign and mail to:

Andrea Vizcaino
Waste Management
1021 Main Street
OCC 745
Houston, Texas 77002

APPENDIX A

The Company has decided to improve the efficiency of its operations by restructuring, eliminating positions and redistributing responsibilities. A Voluntary Enhanced Retirement Program was offered and you accepted. As a result, you are being terminated and offered benefits under a Company severance plan in exchange for executing and not revoking this Agreement.

The attached chart was prepared as of August 24, 2012. This chart shows the number of similarly-situated employees by job title and age (as of August 24, 2012) and whether they were separated and offered benefits in exchange for a release (“Selected”) or not separated (“Not Selected”).

This data is subject to change, and may be affected by future employment decisions. If you have any questions about this information, contact your human resources representatives.

<u>Job Title</u>	<u>Age</u>	<u>Selected</u>	<u>Not Selected</u>
VP Shared Services	55		X
VP Tax	52		X
VP & Chief Accounting Officer	58	X	
VP Treasury	50	X	
VP Internal Audit	43		X
VP Fin Planning & Analysis	52		X
VP Real Estate	60	X	

Exhibit 10.31**SEPARATION EMPLOYMENT**

THIS SEPARATION AGREEMENT (“Agreement”) is entered into on this 29th day of November 2012 between Waste Management, Inc. (the “Company”) and Duane C. Woods (the “Executive”).

This Agreement is binding upon, and extends to, the parties and their past and present officers, directors, employees, shareholders, parent corporations, subsidiaries, affiliates, partners, agents, representatives, heirs, executors, assigns, administrators, successors, predecessors, family members, d/b/a’s, assumed names, and insurers, whether specifically mentioned hereafter or not. A reference to a party in this Agreement necessarily includes those persons and/or entities described in the foregoing sentence.

PREAMBLE

WHEREAS, the Company and Executive previously entered into that certain Employment Agreement dated October 20, 2004, as amended (the “Employment Agreement”);

WHEREAS, pursuant to such Employment Agreement, Executive has been continuously employed;

WHEREAS, Executive has elected to participate in the Company’s Voluntary Early retirement program (VERP) and his resignation is effective November 30, 2012;

WHEREAS, the Parties agree that upon his separation and execution of a waiver and release of claims, Executive will receive certain benefits described in Section 6(e) of his Employment Agreement and the VERP;

WHEREAS, the Company and Executive now jointly desire to enter into this Agreement to supplement the continuing provisions of said Employment Agreement as set forth below; and

NOW, THEREFORE, in consideration of the premises and agreements contained herein, and for other good and valuable consideration, the Company and Executive hereby agree as follows:

1. Termination of Employment. The employment of Executive will terminate on November 30, 2012 (“Employment Termination Date”). The parties agree that Executive is entitled to the certain compensation and benefits set forth in Section 6(e) (i) and (ii) of the Employment Agreement without his execution of a release, as more specifically detailed in Exhibit A to this Agreement. It is expressly agreed to and acknowledged by the parties that Executive is entitled to the compensation and benefits set forth in Exhibit A whether or not he executes this Agreement.

2. Payment of Additional Consideration. In consideration of the premises and promises herein contained, and subject to Executive executing and not revoking this Agreement, it is agreed that the Company will provide Executive those certain benefits specifically detailed in Exhibit B to this Agreement. The benefits set forth in Exhibit B include those that Executive will receive under Section 6(e) (iii) (iv) and (v) of the Employment Agreement and an additional separation bonus pursuant to the terms of the VERP. It is expressly agreed to and acknowledged by the parties that Executive is not entitled to the benefits set forth in Exhibit B until such time as he executes and does not revoke this Agreement. The Company shall withhold, or cause to be withheld, from said payments all amounts required to be withheld pursuant to federal, state or local tax laws.

The consideration set forth in this Paragraph 2 is in full, final and complete settlement of any and all claims which Executive could make in any complaint, charge, or civil action, whether for actual, nominal, compensatory, or punitive damages (including attorneys' fees). Executive acknowledges that such consideration is being made as consideration for the releases set forth in Paragraphs 3 and 4. Executive further acknowledges that the consideration set forth in this Paragraph 2 are separate and distinct of and from each other, and that either payment is independent valuable consideration for the release and waiver set forth in Paragraphs 3 and 4.

3. General Release. In exchange for the first payment made to Executive pursuant to Paragraph 2, Executive releases and discharges the Company, its past and present parent, subsidiary and affiliated companies, agents, directors, officers, employees, and representatives, and all persons acting by, through, under or in concert with the Company (collectively referred to as the "Released Parties"), from any and all causes of action, claims, liabilities, obligations, promises, agreements, controversies, damages, and expenses, known or unknown, which Executive ever had, or now has, against the Released Parties to the date of this Agreement. The claims Executive releases include, but are not limited to, claims that the Released Parties:

- discriminated against Executive on the basis of his race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, veteran status, source of income, entitlement to benefits, union activities, age or any other claim or right Executive may have under the Age Discrimination in Employment Act ("ADEA"), or any other status protected by local, state or federal laws, constitutions, regulations, ordinances or executive orders; or
- failed to give proper notice of this employment termination under the Workers Adjustment and Retraining Notification Act ("WARN"), or any similar state or local statute or ordinance; or
- violated any other federal, state, or local employment statute, such as the Employee Retirement Income Security Act of 1974, which, among other things, protects employee benefits; the Fair Labor Standards Act, which regulates wage and hour matters; the Family and Medical Leave Act, which requires employers to provide leaves of absence under certain circumstances; Title VII of the Civil Rights Act of 1964; the Older Workers Benefits Protection Act; the Americans With Disabilities Act; the Rehabilitation Act; OSHA; and any other laws relating to employment; or

-
- violated its personnel policies, handbooks, any covenant of good faith and fair dealing, or any contract of employment between Executive and any of the Released Parties; or
 - violated public policy or common law, including claims for: personal injury, invasion of privacy, retaliatory discharge, negligent hiring, retention or supervision, defamation, intentional or negligent infliction of emotional distress and/or mental anguish, intentional interference with contract, negligence, detrimental reliance, loss of consortium to Executive or any member of Executive's family, and/or promissory estoppel; or
 - is in any way obligated for any reason to pay your damages, expenses, litigation costs (including attorneys' fees), bonuses, commissions, disability benefits, compensatory damages, punitive damages, and/or interest.

Executive is not prohibited from making or asserting (a) any claim or right under state workers' compensation or unemployment laws, or (b) any claim or right which by law cannot be waived. Executive waives, however, the right to recover money if any federal, state or local government agency pursues a claim on Executive's behalf or on behalf of a class to which Executive may belong that arises out of or relates to Executive's employment or termination of employment.

For the purpose of giving a full and complete release, Executive covenants and agrees that he has no pending claims or charges against the Release Parties, and if he does so have, Executive agrees to promptly file all appropriate papers requesting withdrawal and dismissal of such claims and for charges. Executive understands and agrees that this Agreement includes all claims that Executive may have and that Executive does not now know or suspect to exist in Executive's favor against the Released Parties, and that this Agreement extinguishes those claims.

Nothing in this Agreement shall affect the U.S. Equal Employment Opportunity Commission's ("EEOC") rights and responsibilities to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, or any other applicable law. Further, nothing in this Agreement shall be construed as a basis for interfering with Executive's protected right to challenge the waiver of an ADEA claim under the Older Workers Benefit Protection Act, or to file a charge with, or participate in an investigation or proceeding conducted by, the EEOC, or any other state, federal or local government entity; provided, however, if the EEOC or any other state, federal or local government entity commences an investigation on Executive's behalf, Executive specifically waives and releases his right, if any, to recover any monetary or other benefits of any sort whatsoever arising from any such investigation, nor will he seek reinstatement to his former position with the Company. Nothing in this Agreement shall be construed to waive a claim or right that cannot be lawfully waived through private agreement.

Executive is not being asked to release any claims or rights under ADEA that may arise after Executive executes this Agreement. However, any claims surrounding the Executive's separation from the Company are specifically released and waived under the terms of this Agreement.

4. Covenant Not to Sue. Executive agrees not to sue any of the Released Parties or become a party to a lawsuit on the basis of any claims of any type to date that arise out of any aspect of Executive's employment or termination of employment. Executive understands that this is an affirmative promise by Executive not to sue any of the Released Parties, which is in addition to Executive's general release and waiver of claims in Paragraphs 3 and 4. However, nothing in this Agreement or this Covenant Not to Sue shall prevent Executive from bringing an action to enforce the terms of this Agreement or an action challenging the validity of this Agreement. If Executive breaches this Agreement by suing any of the Released Parties in violation of this Covenant Not to Sue, Executive understands that (i) the Released Parties will be entitled to apply for and receive an injunction to restrain any violation of this paragraph, and (ii) Executive will be required to pay the Released Parties' legal costs and expenses, including reasonable attorney fees, associated with defending against the lawsuit and enforcing the terms of this Agreement. If the Company breaches any of the terms of this Agreement, the Company understands that (i) Executive shall be entitled to apply for and receive an injunction to enforce or restrain any breach of this Agreement and (ii) if Executive prevails in any action to enforce the terms of this Agreement, the Company shall be required to pay Executive or, if he is not living, Executive's Spouse and dependents', legal costs and expenses, including reasonable attorney's fees, associated with such action.

5. Application to all Forms of Relief. This Agreement applies to any relief no matter how called, including without limitation, wages, back pay, front pay, reinstatement, compensatory damages, liquidated damages, punitive damages for pain or suffering, costs and attorney's fees and expenses.

6. No Admissions, Complaints or Other Claims . The Executive acknowledges and agrees that this Agreement is not to be construed in any way as an admission of any liability whatsoever by any Released Party, any such liability being expressly denied. The Executive also acknowledges and agrees that he has not, with respect to any transaction or state of facts existing prior to the date hereof, filed any Actions against any Released Party with any governmental agency, court or tribunal.

7. Acknowledgments. Executive has fully reviewed the terms of this Agreement, acknowledges that he understands its terms, and states that he is entering into this Agreement knowingly, voluntarily, and in full settlement of all claims which existed in the past or which currently exist, that arise out of his employment with Waste Management or the termination of his employment.

Executive acknowledges that he has had at least forty-five (45) days to consider this General Release Agreement thoroughly, and Executive understands that he has the right to consult with an attorney, before he signs below and is advised to do so.

If Executive signs and returns this General Release Agreement before the end of the 45-day period, he certifies that his acceptance of a shortened time period is knowing and voluntary, and the Company did not — through fraud, misrepresentation, a threat to withdraw or alter the offer before the 45-day period expires, or by providing different terms to other employees who sign the release before such time period expires — improperly encourage Executive to sign.

Executive understands that he may revoke this General Release Agreement within seven (7) days after he signs it. Executive's revocation must be in writing and submitted within the seven (7) day period to Mark Schwartz, via hand delivery or via electronic delivery at: MarkSchwartz@wm.com. If Executive does not revoke this General Release Agreement within the seven (7) day period, it becomes irrevocable. Executive further understands that if he revokes this General Release Agreement, he will not be eligible to receive the benefits described in Exhibit B. All benefits described in Exhibit B will be processed as soon as administratively possible after the end of this seven (7) day period.

Executive also acknowledges that before signing this Agreement, Executive received certain information about eligibility for the benefits available under this Agreement and the persons affected by this employment termination program, including the job titles and ages of both the persons selected and not selected to receive the benefits available under this Agreement. This information is attached to this Agreement as Exhibit C.

8. Settlement and Acquisition of Goodwill. Executive waives and releases any and all claims that the restrictive covenants contained in Paragraph 10 of the Employment Agreement (the "Employment Agreement Restrictive Covenants") are not enforceable or are against public policy. Executive covenants not to file a lawsuit or arbitration proceeding, pursue declaratory relief, or otherwise take any legal action to challenge the enforceability of the Employment Agreement Restrictive Covenants. The parties agree that the payments and benefits referred to in Exhibit B are, in part, consideration of the settlement of all disputes regarding the enforceability and application of goodwill, trade secrets, and confidential information developed by Executive in the course of his employment with the Company. To help preserve the value of the goodwill, trade secrets, and confidential information acquired herewith, it is agreed that Executive will comply with the Employment Agreement Restrictive Covenants (incorporated herein by reference) for the periods of time set forth therein. It is specifically agreed that the two-year Restricted Term set forth in Paragraph 10 of the Employment Agreement and the restriction provided for therein shall commence upon Executive's termination of employment with the Company.

9. Assistance and Cooperation. Executive agrees that he will cooperate fully with the Company and its counsel, upon their request, with respect to any proceeding (including any litigation, arbitration, regulatory proceeding, investigation or governmental action) that relates to matters with which Executive was involved while he was an employee of the Company or with which he has knowledge. Executive agrees to render such cooperation in a timely fashion and to provide Company personnel and the company's counsel with the full benefit of his knowledge with respect to any such matter. The Company shall reimburse Executive for actual and reasonable costs and expenses, including reasonable attorney's fees, related to his assistance in such matters. Executive will remain an elected officer of the Company until the Employment Termination Date. Accordingly, Executive will be entitled to benefit of the indemnity and expense reimbursement provisions in Article Eighth of the Company's Third Amended and Restated Certification of Incorporation and Article X of the Company's Bylaws, all subject to the provisions thereof and to applicable Delaware law.

10. Choice of Laws. This Agreement is made and entered into in the State of Texas, and shall in all respects be interpreted, enforced and governed under the laws of the State of Texas. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties.

11. Severability. Should any provision of this Agreement be declared or be determined by any court to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term, or provision shall be deemed not to be a part of this Agreement.

12. Complete Agreement. The parties hereto agree that the October 20, 2004 Employment Agreement (including any other amendments thereto) as modified by this Separation Agreement, contains the full and final expression of their agreements with respect to the matters contained therein, and acknowledge that no other promises have been made to or by any of the parties that are not set forth in these Agreements.

The parties agree that neither the offer of, nor the execution of, this Agreement will be construed as an admission of wrongdoing by anyone. Instead, this Agreement is to be construed solely as a reflection of the parties' desire to facilitate a peaceful separation of employment and to make sure there are no unresolved issues between them.

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

DUANE C. WOODS
("Executive")

WASTE MANAGEMENT, INC.
(The "Company")

By: /s/ Mark Schwartz

/s/ Duane C. Woods

Duane C. Woods

Its: Senior Vice President, Human Resources

E XHIBIT A

The employment of Executive is terminated, effective November 30, 2012 (the "Employment Termination Date"). Executive is therefore, entitled to the payments and benefits listed below and detailed in under Section 6(e) (i) and (ii) of the Employment Agreement whether or not he signs this Agreement.

- a) Base salary and benefits up to and including the Employment Termination Date;
- b) Reimbursement for all expenses incurred on behalf of the Company up to the Employment Termination Date and paid in accordance with Company policy; and
- c) Payment for vacation days accrued but unused in 2012.

All applicable withholdings will be deducted from payments described herein.

Executive is entitled to the benefits described above in this Exhibit A whether or not he executes this Separation Agreement.

E XHIBIT B

The employment of Executive is terminated, effective November 30, 2012 (the "Employment Termination Date") under the terms of the Company's Voluntary Early Retirement Program (VERP). In consideration of the premises and promises herein contained, it is agreed that, Executive is entitled to the compensation and benefits set forth in Section 6(e) (iii) (iv) and (v) of the Employment Agreement and provided by the VERP only after he executes and doesn't revoke this Separation Agreement.

The payments and benefits to be provided are as follows:

- a) A payment under the Company's 2012 Annual Incentive Plan (AIP) on the same basis and to the same extent payments are made, if any, to similar senior executives of the Company. Executive will receive 100% of any such calculated payment on or about March 15, 2013.
- b) A severance payment in the gross amount of One Million Nine Hundred Seventy-Nine Thousand Nine Hundred Eighty-Three Dollars and Fifty Six Cents (\$1,979,983.56), approximately equal to two times the sum of Executive's base salary (\$565,709.59) and Target Bonus (\$424,282.19). This severance amount will be paid as follows: Nine Hundred Eighty-Nine Thousand Nine Hundred Ninety-One Dollars and Seventy-Eight Cents (\$989,991.78) shall be paid no later than 10 days after Executive executes and does not revoke this Agreement; and the remaining Nine Hundred Eighty-Nine Thousand Nine Hundred Ninety-One Dollars and Seventy-Eight Cents (\$989,991.78) will be paid out at the same time and in the same manner as if Executive had remained employed for the two year period following Executive's Employment Termination Date.
- c) Twenty-four months of continued group health and/or dental insurance coverage that Executive participated of his Employment Termination Date. Executive must timely elect COBRA coverage and the Company will provide COBRA coverage at its own expense for 18 months or until Executive's death or eligibility for coverage by a subsequent employer. Thereafter, Executive will have no additional COBRA coverage, but if Executive has not obtained coverage from a subsequent employer, the Company will provide up to six months additional medical and dental coverage.
- d) A lump sum in the amount of One Hundred Five Thousand Eight Hundred Twenty Three Dollars and Fifty Eight Cents (\$105,823.58) shall be paid no later than 10 days after Executive executes and does not revoke this Agreement.
- e) A lump sum separation bonus in the amount of One Hundred Ninety Five Thousand One Hundred Sixty Nine Dollars and Eighty One Cents (\$195,169.81) payable on or about March 13, 2013.

-
- (f) As described in the VERP, Executive's termination of employment will be treated as a voluntary resignation under each of his outstanding equity award agreements, with Executive's combination of age and service being sufficient to qualify for Retirement treatment (as defined in each such option award agreement). Moreover, the Performance Share Unit Award and the Restricted Share Unit Award granted to you on March 9, 2012, will continue to vest through December 31, 2012 and March 9, 2013, respectively.

All Applicable withholdings will be deducted from all payments described herein.

E XHIBIT C

Executive's employment as the Senior Vice President, Western Group is being terminated effective November 30, 2012. As a result, Executive is being offered certain consideration as described in Executive's Employment Agreement, plus an additional separation bonus, in exchange for executing and not revoking the general release contained in this Agreement.

Below is a chart showing similar positions, annotated by age and whether they are separating and will be offered consideration in exchange for a release ("Selected") or there are no current plans to separate to their employment ("Not Selected"). The chart was prepared as of **November 27, 2012**.

This data is subject to change, and may be affected by future employment decisions. If you have any questions about this information, contact Mark Schwartz at (713) 265-1608.

<u>Job Title</u>	<u>Age</u>	<u>Selected</u>	<u>Not Selected</u>
SVP, Eastern Group	50		X
SVP, Midwestern Group	58		X
SVP, Southern Group	58	X	
SVP, Western Group	61	X	

Exhibit 10.36**SEPARATION AGREEMENT**

This Agreement is entered into by and between Carl Rush (“you”) and Waste Management Holdings, Inc. (the “Company”) and arises out of the separation of your employment. In consideration of the promises contained in this document, the parties agree as follows:

WHEREAS, you have resigned your employment with the Company and all of the Company’s subsidiaries, parents or affiliates (collectively with the Company referred to as “Waste Management”);

WHEREAS, you have elected to resign and accept benefits under the Company’s Voluntary Early Retirement Program (VERP);

WHEREAS, you previously entered in an Employment Agreement with Waste Management dated February 2011;

WHEREAS, in order to receive the payments and benefits described below, you release any claim for payments and benefits under Section 6 of your previously executed Employment Agreement; and

WHEREAS, you are only entitled to the payments described in this Agreement if you agree to its terms and execute this Agreement;

1. Payments and Benefits . You will be offered benefits according to the Voluntary Early/Enhanced Retirement Plan (the “Plan”) after your final day of employment on October 19, 2012. As described in the Plan and in exchange for the promises by you below, you will receive severance in the gross amount of Eight Hundred Eighty-Seven Thousand Three Hundred Thirty Six Dollars and Eighty Cents (\$887,336.80) payable as follows: \$443,668.40 payable after your execution without revocation of this Agreement; and \$443,668.40 payable over the two years following your separation in accordance with the Company’s normal payroll practices. In addition, you will receive a severance bonus in the amount of \$66,550.26 payable on or about March 15, 2013. Further, you will receive a payment under the Company’s 2012 Annual Incentive Plan (AIP) on the same basis and to the same extent payments are made to similar situated employees of the Company. You will receive 10/12 of any such calculated payment on or about March 15, 2013. Applicable federal, state, and local payroll taxes will be deducted from these payments; these payments shall not begin until after the revocation period described below.

In addition, if you timely elect COBRA coverage, the Company will provide COBRA coverage at its own expense for 18 months or until your death or eligibility for coverage by a subsequent employer. Thereafter, you will have no additional COBRA coverage, but if you have not obtained coverage from a subsequent employer, the Company at its own cost will provide up to six months additional medical and dental coverage.

In further consideration of the promises and mutual promises herein contained, the Company will provide you with outplacement services with the Company’s preferred vendor at a

program level and duration determined by the Company. The cost for such outplacement services will be borne exclusively by the Company and you must enroll in this benefit within thirty (30) days of your execution of this Agreement.

Finally, as described in Section 6(d) of the VERP, your termination of employment will be treated as a voluntary resignation under each of your outstanding equity award agreements, with your combination of age and service being sufficient to qualify for Retirement treatment (as defined in each such award agreement).

In the event that you violate one or more of the post-employment restrictions on your conduct that are provided for in Section 7 (entitled "Loss of Benefits Due to Prohibited Conduct") of the Plan, you will forfeit any benefits not yet paid to you under this Agreement (with the exception of the first payment made to you) in accordance with the Plan's terms and as determined by the Plan administrator. However, you agree that if such an event occurs, then the first payment made to you will be considered sufficient consideration for the General Release set forth below in Paragraph 2 and your agreement to comply with (and not contest) Sections 10 and 11 of your previously executed Employment Agreement, as set forth in Paragraph 4 of this Agreement. Accordingly, your Release and Employment Agreement shall survive such a forfeiture of benefits and cessation of payments.

2. **General Release.** In exchange for the first payment made to you pursuant to Paragraph 1, you release and discharge Waste Management, its past and present parent, subsidiary and affiliated companies, agents, directors, officers, employees, and representatives, and all persons acting by, through, under or in concert with Waste Management (collectively referred to as the "Released Parties"), from any and all causes of action, claims, liabilities, obligations, promises, agreements, controversies, damages, and expenses, known or unknown, which you ever had, or now have, against the Released Parties to the date of this Agreement. The claims you release include, but are not limited to, claims that the Released Parties:

- discriminated against you on the basis of your race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, veteran status, source of income, entitlement to benefits, union activities, age or any other claim or right you may have under the Age Discrimination in Employment Act ("ADEA"), or
- any other status protected by local, state or federal laws, constitutions, regulations, ordinances, executive orders, including but not limited to the Massachusetts Fair Employment Practices Act, the New Jersey Conscientious Employee Protection Act, the New Jersey Law Against Discrimination, the New Jersey Whistleblower Act, North Dakota Century Code §9-13-02 and South Dakota Code Laws § 20-7-11; or
- failed to give proper notice of this employment termination under the Workers Adjustment and Retraining Notification Act ("WARN"), or any similar state or local statute or ordinance; or
- violated any other federal, state, or local employment statute, such as the Employee Retirement Income Security Act of 1974, which, among other things, protects

employee benefits; the Fair Labor Standards Act, which regulates wage and hour matters; the Family and Medical Leave Act, which requires employers to provide leaves of absence under certain circumstances; Title VII of the Civil Rights Act of 1964; the Older Workers Benefits Protection Act; the Americans With Disabilities Act; the Rehabilitation Act; OSHA; and any other laws relating to employment; or

- violated its personnel policies, handbooks, any covenant of good faith and fair dealing, or any contract of employment between you and any of the Released Parties; or
- violated public policy or common law, including claims for: personal injury, invasion of privacy, retaliatory discharge, negligent hiring, retention or supervision, defamation, intentional or negligent infliction of emotional distress and/or mental anguish, intentional interference with contract, negligence, detrimental reliance, loss of consortium to you or any member of your family, and/or promissory estoppel; or
- is in any way obligated for any reason to pay your damages, expenses, litigation costs (including attorneys' fees), bonuses, commissions, disability benefits, compensatory damages, punitive damages, and/or interest.

You are not prohibited from making or asserting (a) any claim or right under state workers' compensation or unemployment laws, or (b) any claim or right, which by law cannot be waived. You waive, however, the right to recover money if any federal, state or local government agency pursues a claim on your behalf or on behalf of a class to which you may belong that arises out of or relates to your employment or termination of employment.

For the purpose of giving a full and complete release, you covenant and agree that you have no pending claims or charges against the Released Parties, and if you do so have, you agree to promptly file all appropriate papers requesting withdrawal and dismissal of such claims and/or charges. You understand and agree that this Agreement includes all claims that you may have and that you do not now know or suspect to exist in your favor against the Released Parties, and that this Agreement extinguishes those claims.

Nothing in this Agreement shall affect the U.S. Equal Employment Opportunity Commission's ("EEOC") rights and responsibilities to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, or any other applicable law. Further, nothing in this Agreement shall be construed as a basis for interfering with your protected right to challenge the waiver of an ADEA claim under the Older Workers Benefit Protection Act, or to file a charge with, or participate in an investigation or proceeding conducted by, the EEOC, or any other state, federal or local government entity; provided, however, if the EEOC or any other state, federal or local government entity commences an investigation on your behalf, you specifically waive and release your right, if any, to recover any monetary or other benefits of any sort whatsoever arising from any such investigation, nor will you seek reinstatement to your former position with the Company. Nothing in this Agreement shall be construed to waive a claim or right that cannot be lawfully waived through private agreement.

You are not being asked, however, to release any claims or rights under ADEA that may arise after you execute this Agreement.

3. **Covenant Not to Sue** . You agree not to sue any of the Released Parties or become a party to a lawsuit on the basis of any claims of any type to date that arise out of any aspect of your employment or termination of employment. You understand that this is an affirmative promise by you not to sue any of the Released Parties, which is in addition to your general release of claims in Paragraph 2 above. However, nothing in this Agreement prevents you from bringing an action challenging the validity of this Agreement. If you breach this Agreement by suing any of the Released Parties in violation of this Covenant Not to Sue, you understand that (i) the Released Parties will be entitled to apply for and receive an injunction to restrain any violation of this paragraph, and (ii) you will be required to pay the Released Parties' legal costs and expenses, including reasonable attorney fees, associated with defending against the lawsuit and enforcing the terms of this Agreement.

4. **Covenant Not to Compete and Non-Solicitation Provisions** . You hereby affirm Sections 10 and 11 of your existing Employment Agreement and the post-employment obligations set forth therein and represent that you intend to comply with those obligations. You agree that those obligations survive and continue to apply to you in accordance with their terms, and that the same are incorporated herein by reference as if set forth in full. You further stipulate that the post-employment restrictions in your existing Employment Agreement are reasonable and necessary for the protection of the Company's legitimate business interests, and agree not to contest the enforceability of the post-employment obligations of your existing Employment Agreement where such apply.

You acknowledge that because you had access to and/or developed or enhanced confidential information, trade secrets, customer relationships, goodwill and the work force of Waste Management during your employment, the covenants in this paragraph are necessary to protect these valuable assets and intellectual capital from which Waste Management derives economic value.

It is specifically agreed that the two-year Reserved Term set forth in Paragraph 10 in the Employment Agreement and the restrictions provided therein are reasonable and shall commence upon your termination. Forfeiture of continued payments and benefits provided for in Section 1 above due to a violation of the post-employment restrictions provided for in the Plan shall not affect the continued application of Sections 10 and 11 of your existing Employment Agreement, and the remedies provided for therein.

5. **Acknowledgments** . You have fully reviewed the terms of this Agreement, acknowledge that you understand its terms, and state that you are entering into this Agreement knowingly, voluntarily, and in full settlement of all claims which existed in the past or which currently exist, that arise out of your employment with Waste Management or the termination of your employment.

You acknowledge that you have had at least forty-five (45) days to consider this Separation Agreement thoroughly, and you understand that you have the right to consult with an attorney, before you sign below and are advised to do so.

If you sign and return this Separation Agreement before the end of the 45-day period, you certify that your acceptance of a shortened time period is knowing and voluntary, and the Company did not — through fraud, misrepresentation, a threat to withdraw or alter the offer before the 45-day period expires, or by providing different terms to other employees who sign the release before such time period expires — improperly encourage you to sign.

You understand that you may revoke this Separation Agreement within seven (7) days after you sign it. Your revocation must be in writing and submitted via facsimile within the seven (7) day period to **Andrea Vizzaino at facsimile number (713) 287-2497**. If you do not revoke this Separation Agreement within the seven (7) day period, it becomes irrevocable. You further understand that if you revoke this Separation Agreement, you will not be eligible to receive the benefits described in paragraph 1. Benefits will be processed as soon as administratively possible after the end of this seven (7) day period.

You also acknowledge that, before signing this Agreement, you received certain information about eligibility for the benefits available under this Agreement and the persons affected by this employment termination program, including the job titles and ages of both the persons selected and not selected to receive the benefits available under this Agreement. This information is attached to this Agreement as Appendix A.

You agree and accept that any equity-based compensation awards previously granted to you, that are not already expressly set forth and addressed in Paragraph 1 of this Agreement, will be vested and exercised according to the terms and conditions of each equity-based incentive award, notwithstanding any other representation, whether written or oral, to the contrary.

6. Non-Disparagement and Future Cooperation. In further consideration of the promises and mutual promises contained herein, you covenant and agree that you will not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company. You specifically agree that the failure to comply with the terms of this Paragraph shall amount to a material breach of this Agreement.

You further agree that, subject to reimbursement by Waste Management of reasonable out-of-pocket costs and expenses, you will cooperate with Waste Management and its attorneys with respect to any matter (including litigation, investigation, or governmental proceeding) that relates to matters with which you were involved while you were employed by Waste Management. Your required cooperation may include appearing from time to time at Waste Management's offices or its attorneys' offices for conferences and interviews, and in general providing Waste Management and its attorneys with the full benefit of your knowledge with respect to any such matter. You agree to cooperate in a timely fashion and at times that are agreeable to both parties.

7. Return of Property. You must return to Waste Management on your last day of employment all documents, files (including copies), and any other Waste Management property.

8. **General Provisions.** This Agreement is assignable only by Waste Management Holdings, Inc., shall inure to the benefit of Waste Management Holding Inc.'s assigns, successors, affiliates, and Released Parties, and is binding on the parties, their representatives, agents and assigns, and as to you, your spouse, heirs, legatees, administrators, and personal representatives.

Except as otherwise expressly provided for herein (such as incorporation of Sections 10 and 11 of your existing Employment Agreement), this Agreement is the exclusive and complete agreement between you and Waste Management relating to the subject matter of this Agreement. No amendment of this Agreement will be binding unless in writing and signed by you and the Company.

The parties acknowledge and agree that if any provision of this Agreement is found, held or deemed by a court of competent jurisdiction void, unlawful or unenforceable under any statute or controlling law, the rest of this Agreement will continue in full force and effect.

If any legal action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs and expenses from the other party, in addition to any other relief to which the prevailing party is entitled.

This Agreement is made and entered into in the State of Texas, and in all respects will be interpreted, enforced and governed under applicable federal law and in the event that any reference shall be made to State law, the internal laws of the State of Texas will apply. A court of competent jurisdiction in the State of Texas will hear and resolve any disputes under this Agreement.

EMPLOYEE**WASTE MANAGEMENT HOLDINGS, INC.**

By: /s/ Carl Rush

Carl Rush

By: /s/ Mark Schwartz

Its: Authorized Representative

Date: 10/25/12

Employee Work Location: 1001 Fannin Street, Suite 4000, Houston, TX 77002

Sign and mail to:

Andrea Vizcaino
Waste Management
1021 Main Street
OCC 745
Houston, TX 77002

APPENDIX A

The Company has decided to improve the efficiency of its operations by restructuring, eliminating positions and redistributing responsibilities. A Voluntary Enhanced Retirement Program was offered and you accepted. As a result, you are being terminated and offered benefits under a Company severance plan in exchange for executing and not revoking this Agreement.

The attached chart was prepared as of July 31, 2012. This chart shows the number of similarly-situated employees reporting to Steve Preston by job title and age (as of July 31, 2102) and whether they were separated and offered benefits in exchange for a release ("Selected") or not separated ("Not Selected").

This data is subject to change, and may be affected by future employment decisions. If you have any questions about this information, contact your human resources representatives.

<u>Job Title</u>	<u>Age</u>	<u>Selected</u>	<u>Not Selected</u>
VP Real Estate	60	X	
VP Shared Services	55		X
VP Tax	52		X
VP & Chief Accounting Officer	58	X	
VP Treasury	50	X	
VP Internal Audit	43		X
SVP Organic Growth	57	X	
VP Fin Planning & Analysis	52		X
President - WTI	55		X
President, WMRA	46		X
Corp VP Business Partner	32		X

Exhibit 10.42**GENERAL RELEASE AGREEMENT**

This Agreement is entered into by and between Patrick DeRueda (“you”) and Waste Management Holdings, Inc. (the “Company”) and arises out of the termination of your employment. In consideration of the promises contained in this document, the parties agree as follows:

WHEREAS, your employment with the Company and all of the Company’s subsidiaries, parents or affiliates (collectively with the Company referred to as “Waste Management”) is to be terminated;

WHEREAS, you previously entered in an Employment Agreement with Waste Management dated August 4, 2005, as amended;

WHEREAS, in order to receive the payments and following benefits described below, you release any claim for payments and benefits under Section 6 of your previously executed Employment Agreement;

WHEREAS, you are only entitled to the payments described in this Agreement if you agree to its terms and execute the Agreement;

1. **Payments and Benefits** . You will be offered the following benefits according to the Voluntary Early/Enhanced Retirement Plan (the “Plan”) after your final day of employment on September 28, 2012:

- A severance payment in the gross amount of One Million One Hundred Seventy-Four Thousand Seven Dollars and Eighty-Four Cents (\$1,174,007.84) approximately equal the sum of two times your annual salary plus target annual bonus with one-half, Five Hundred Eighty-Seven Thousand Three Dollars and Ninety-Two Cents (\$587,003.92), to be paid ten days after the execution of this Agreement and the other Five Hundred Eighty-Seven Thousand Three Dollars and Ninety-Two Cents (\$587,003.92) payable over the two year period following your termination in accordance with the Company’s normal payroll practices;
- A severance bonus in the amount of \$82,547.43 payable on or about March 15, 2013;
- A payment under the Company’s 2012 Annual Incentive Plan (AIP) on the same basis and to the same extent payments are made to similar situated employees of the Company. You will receive 9/12 of any such calculated payment on or about March 15, 2013.
- In addition, if you timely elect COBRA coverage, the Company will pay for 18 months or until your death or eligibility for coverage by a subsequent employer, the entire COBRA premium for the group health and/or dental coverage in which you were enrolled at the time of your separation. Thereafter, you will have no additional COBRA coverage, but if you have not obtained coverage from a subsequent employer, the Company at its own cost will provide up to six months additional medical and dental coverage for you and your spouse.

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- The Company will provide you with outplacement services with the Company's preferred vendor at a program level and duration determined by the Company. The cost for such outplacement services will be borne exclusively by the Company and you must enroll in this benefit within thirty (30) days of your execution of this Agreement.
 - Your 2012 Long Term Incentive Plan (LTIP) award will receive the treatment described in Exhibit B of the Plan.
 - Applicable federal, state, and local payroll taxes will be deducted from all payments described herein.

In the event that you violate one or more of the post-employment restrictions on your conduct that are provided for in Section 7 (entitled "Loss of Benefits Due to Prohibited Conduct") of the Plan, you will forfeit any benefits not yet paid to you under this Agreement (with the exception of the first payment made to you) in accordance with the Plan's terms and as determined by the Plan administrator. However, you agree that if such an event occurs, then the first payment made to you will be considered sufficient consideration for the General Release set forth below in Paragraph 2 and your agreement to comply with (and not contest) Sections 10 and 11 of your previously executed Employment Agreement, as set forth in Paragraph 4 of this Agreement. Accordingly, your Release and Employment Agreement shall survive such a forfeiture of benefits and cessation of payments.

2. **General Release.** In exchange for the first payment made to you pursuant to Paragraph 1, you release and discharge Waste Management, its past and present parent, subsidiary and affiliated companies, agents, directors, officers, employees, and representatives, and all persons acting by, through, under or in concert with Waste Management (collectively referred to as the "Released Parties"), from any and all causes of action, claims, liabilities, obligations, promises, agreements, controversies, damages, and expenses, known or unknown, which you ever had, or now have, against the Released Parties to the date of this Agreement. The claims you release include, but are not limited to, claims that the Released Parties:

- discriminated against you on the basis of your race, color, sex (including sexual harassment), national origin, ancestry, disability, religion, sexual orientation, marital status, parental status, veteran status, source of income, entitlement to benefits, union activities, age or any other claim or right you may have under the Age Discrimination in Employment Act ("ADEA"), or
- any other status protected by local, state or federal laws, constitutions, regulations, ordinances, executive orders, including but not limited to the Massachusetts Fair Employment Practices Act, the New Jersey Conscientious Employee Protection Act, the New Jersey Law Against Discrimination, the New Jersey Whistleblower Act, North Dakota Century Code §9-13-02 and South Dakota Code Laws § 20-7-11; or

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- failed to give proper notice of this employment termination under the Workers Adjustment and Retraining Notification Act (“WARN”), or any similar state or local statute or ordinance; or
 - violated any other federal, state, or local employment statute, such as the Employee Retirement Income Security Act of 1974, which, among other things, protects employee benefits; the Fair Labor Standards Act, which regulates wage and hour matters; the Family and Medical Leave Act, which requires employers to provide leaves of absence under certain circumstances; Title VII of the Civil Rights Act of 1964; the Older Workers Benefits Protection Act; the Americans With Disabilities Act; the Rehabilitation Act; OSHA; and any other laws relating to employment; or
 - violated its personnel policies, handbooks, any covenant of good faith and fair dealing, or any contract of employment between you and any of the Released Parties; or
 - violated public policy or common law, including claims for: personal injury, invasion of privacy, retaliatory discharge, negligent hiring, retention or supervision, defamation, intentional or negligent infliction of emotional distress and/or mental anguish, intentional interference with contract, negligence, detrimental reliance, loss of consortium to you or any member of your family, and/or promissory estoppel; or
 - is in any way obligated for any reason to pay your damages, expenses, litigation costs (including attorneys’ fees), bonuses, commissions, disability benefits, compensatory damages, punitive damages, and/or interest.

You are not prohibited from making or asserting (a) any claim or right under state workers’ compensation or unemployment laws, or (b) any claim or right, which by law cannot be waived. You waive, however, the right to recover money if any federal, state or local government agency pursues a claim on your behalf or on behalf of a class to which you may belong that arises out of or relates to your employment or termination of employment.

For the purpose of giving a full and complete release, you covenant and agree that you have no pending claims or charges against the Released Parties, and if you do so have, you agree to promptly file all appropriate papers requesting withdrawal and dismissal of such claims and/or charges. You understand and agree that this Agreement includes all claims that you may have and that you do not now know or suspect to exist in your favor against the Released Parties, and that this Agreement extinguishes those claims.

Nothing in this Agreement shall affect the U.S. Equal Employment Opportunity Commission’s (“EEOC”) rights and responsibilities to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967 (“ADEA”), as amended, or any other applicable law. Further, nothing in this Agreement shall be construed as a basis for interfering with your protected right to challenge the waiver of an ADEA claim under the Older Workers Benefit Protection Act, or to file a charge with, or participate in an investigation or proceeding conducted by, the EEOC, or any other state, federal or local government entity; provided, however, if the EEOC or any other state, federal or local government entity commences an investigation on your behalf, you specifically waive and release your right, if any,

to recover any monetary or other benefits of any sort whatsoever arising from any such investigation, nor will you seek reinstatement to your former position with the Company. Nothing in this Agreement shall be construed to waive a claim or right that cannot be lawfully waived through private agreement.

You are not being asked, however, to release any claims or rights under ADEA that may arise after you execute this Agreement.

3. **Covenant Not to Sue**. You agree not to sue any of the Released Parties or become a party to a lawsuit on the basis of any claims of any type to date that arise out of any aspect of your employment or termination of employment. You understand that this is an affirmative promise by you not to sue any of the Released Parties, which is in addition to your general release of claims in Paragraph 2 above. However, nothing in this Agreement prevents you from bringing an action challenging the validity of this Agreement. If you breach this Agreement by suing any of the Released Parties in violation of this Covenant Not to Sue, you understand that (i) the Released Parties will be entitled to apply for and receive an injunction to restrain any violation of this paragraph, and (ii) you will be required to pay the Released Parties' legal costs and expenses, including reasonable attorney fees, associated with defending against the lawsuit and enforcing the terms of this Agreement.

4. **Covenant Not to Compete and Non-Solicitation Provisions**. You hereby affirm Sections 10 and 11 of your existing Employment Agreement and the post-employment obligations set forth therein and represent that you intend to comply with those obligations. You agree that those obligations survive and continue to apply to you in accordance with their terms, and that the same are incorporated herein by reference as if set forth in full. You further stipulate that the post-employment restrictions in your existing Employment Agreement are reasonable and necessary for the protection of the Company's legitimate business interests, and agree not to contest the enforceability of the post-employment obligations of your existing Employment Agreement where such apply.

You acknowledge that because you had access to and/or developed or enhanced confidential information, trade secrets, customer relationships, goodwill and the work force of Waste Management during your employment, the covenants in this paragraph are necessary to protect these valuable assets and intellectual capital from which Waste Management derives economic value. Forfeiture of continued payments and benefits provided for in Section 1 above due to a violation of the post-employment restrictions provided for in the Plan shall not affect the continued application of Sections 10 and 11 of your existing Employment Agreement, and the remedies provided for therein.

5. **Acknowledgments**. You have fully reviewed the terms of this Agreement, acknowledge that you understand its terms, and state that you are entering into this Agreement knowingly, voluntarily, and in full settlement of all claims which existed in the past or which currently exist, that arise out of your employment with Waste Management or the termination of your employment.

You acknowledge that you have had at least forty-five (45) days to consider this General Release Agreement thoroughly, and you understand that you have the right to consult with an attorney, before you sign below and are advised to do so.

If you sign and return this General Release Agreement before the end of the 45-day period, you certify that your acceptance of a shortened time period is knowing and voluntary, and the Company did not — through fraud, misrepresentation, a threat to withdraw or alter the offer before the 45-day period expires, or by providing different terms to other employees who sign the release before such time period expires — improperly encourage you to sign.

You understand that you may revoke this General Release Agreement within seven (7) days after you sign it. Your revocation must be in writing and submitted via facsimile within the seven (7) day period to **Andrea Vizzaino at facsimile number (713) 287-2497**. If you do not revoke this General Release Agreement within the seven (7) day period, it becomes irrevocable. You further understand that if you revoke this General Release Agreement, you will not be eligible to receive the benefits described in paragraph 1. Benefits will be processed as soon as administratively possible after the end of this seven (7) day period.

You also acknowledge that, before signing this Agreement, you received certain information about eligibility for the benefits available under this Agreement and the persons affected by this employment termination program, including the job titles and ages of both the persons selected and not selected to receive the benefits available under this Agreement. This information is attached to this Agreement as Appendix A.

You agree and accept that any equity-based compensation awards previously granted to you, that are not already expressly set forth and addressed in Paragraph 1 of this Agreement, will be vested and exercised according to the terms and conditions of each equity-based incentive award, notwithstanding any other representation, whether written or oral, to the contrary.

6. Non-Disparagement and Future Cooperation. In further consideration of the promises and mutual promises contained herein, you covenant and agree that you will not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company. You specifically agree that the failure to comply with the terms of this Paragraph shall amount to a material breach of this Agreement.

You further agree that, subject to reimbursement by Waste Management of reasonable out-of-pocket costs and expenses, you will cooperate with Waste Management and its attorneys with respect to any matter (including litigation, investigation, or governmental proceeding) that relates to matters with which you were involved while you were employed by Waste Management. Your required cooperation may include appearing from time to time at Waste Management's offices or its attorneys' offices for conferences and interviews, and in general providing Waste Management and its attorneys with the full benefit of your knowledge with respect to any such matter. You agree to cooperate in a timely fashion and at times that are agreeable to both parties.

7. Return of Property. You must return to Waste Management on your last day of employment all documents, files (including copies), and any other Waste Management property.

8. **General Provisions.** This Agreement is assignable only by Waste Management Holdings, Inc., shall inure to the benefit of Waste Management Holding Inc.'s assigns, successors, affiliates, and Released Parties, and is binding on the parties, their representatives, agents and assigns, and as to you, your spouse, heirs, legatees, administrators, and personal representatives.

Except as otherwise expressly provided for herein (such as incorporation of Sections 10 and 11 of your existing Employment Agreement), this Agreement is the exclusive and complete agreement between you and Waste Management relating to the subject matter of this Agreement. No amendment of this Agreement will be binding unless in writing and signed by you and the Company.

The parties acknowledge and agree that if any provision of this Agreement is found, held or deemed by a court of competent jurisdiction void, unlawful or unenforceable under any statute or controlling law, the rest of this Agreement will continue in full force and effect.

If any legal action is brought to enforce the terms of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees, costs and expenses from the other party, in addition to any other relief to which the prevailing party is entitled.

This Agreement is made and entered into in the State of Texas, and in all respects will be interpreted, enforced and governed under applicable federal law and in the event that any reference shall be made to State law, the internal laws of the State of Texas will apply. A court of competent jurisdiction in the State of Texas will hear and resolve any disputes under this Agreement.

EMPLOYEE

WASTE MANAGEMENT HOLDINGS, INC.

By: /s/ Patrick DeRueda
Patrick DeRueda

By: /s/ Mark Schwartz
Its: Authorized Representative

Date: 9/28/12

Employee Work Location: 222 S. Mill Avenue, Suite 333, Tempe, AZ 85281

Sign and mail to:

Andrea Vizcaino
Waste Management
1021 Main Street
OCC 745
Houston, Texas 77002

EXHIBIT 10.43**INDEMNITY AGREEMENT**

This Indemnity Agreement (“Agreement”) is made as of December , 2012, by and between Waste Management, Inc., a Delaware corporation (the “Company”), and (“Indemnitee”).

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The By-laws of the Company (the “By-laws”) and the Third Restated Certificate of Incorporation of the Company (the “Certificate”) require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the “DGCL”). The By-laws, the Certificate and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the By-laws and Certificate of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

WHEREAS, Indemnitee does not regard the protection available under the Company's By-laws, Certificate and insurance as adequate in the present circumstances, and may not be willing to serve as a director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified; and

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director of the Company, by the Company's Certificate, the Company's By-laws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director of the Company.

Section 2. Definitions. As used in this Agreement:

(a) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities unless the change in relative Beneficial Ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv)) whose election by the

Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(a), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(b) "Corporate Status" describes the status of a person who is or was a director, officer, employee or agent of the Company or of any other corporation, limited liability company, partnership or joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Company.

(c) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(e) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 13(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(f) "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(g) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director of the Company, by reason of any action taken by him or of any action on his part while acting as a director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee

or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement; except one initiated by an Indemnitee to enforce his rights under this Agreement.

(h) Reference to “other enterprise” shall include employee benefit plans; references to “fines” shall include any excise tax assessed with respect to any employee benefit plan; references to “serving at the request of the Company” shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner “not opposed to the best interests of the Company” as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding had no reasonable cause to believe that his conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate, the By-laws, vote of its stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter to the fullest extent permitted by law. If the Indemnitee is not wholly successful in such Proceeding, the Company also shall indemnify Indemnitee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue, or matter on which the Indemnitee was successful. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7. Additional Indemnification .

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 7(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 8. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(a) hereof), or similar provisions of state statutory law or common law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act; or

(c) except as provided in Section 13(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board of Directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 9. Advances of Expenses. In accordance with the pre-existing requirements of Section 10.1 of the By-laws and Article Eighth of the Certificate, and notwithstanding any provision of this Agreement to the contrary, the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement which shall constitute an undertaking providing that the Indemnitee undertakes to repay the advance to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 9 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

Section 10. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. To obtain indemnification under this

Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such action, suit or proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board of Directors, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and Indemnitee shall give written

notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 13(e), if the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially

misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 12(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 11(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board of Directors has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Reliance as Safe Harbor. For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 12(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) Actions of Others. The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 13. Remedies of Indemnitee.

(a) Subject to Section 13(e), in the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made

pursuant to Section 11(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5 or 6 or the last sentence of Section 11 (a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 7 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 13(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the

Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 14. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate, the By-laws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the By-laws, the Certificate and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise.

Section 15. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) 10 years after the date that Indemnitee shall have ceased to serve as a director of the Company or (b) 1 year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

Section 16. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 17. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and

understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate, the By-laws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 18. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 19. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 20. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and received for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and received for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to:

Waste Management, Inc.
Attention: General Counsel
1001 Fannin Street
Houston, Texas 77002

or to any other address as may have been furnished to Indemnitee by the Company.

Section 21. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 22. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 13(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably RL&F Service Corp., One Rodney Square, 10th Floor, 10th and King Streets, Wilmington, Delaware 19801 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 23. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 24. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: _____

Name: Rick L Wittenbraker
Title: Senior Vice President, General
Counsel and Chief Compliance
Officer

Name:

Address:

Exhibit 12.1

WASTE MANAGEMENT, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In Millions, Except Ratios)
(Unaudited)

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Income before income taxes and losses in equity investments(a)	\$1,350	\$1,557	\$1,656	\$1,475	\$1,801
Fixed charges deducted from income:					
Interest expense	488	481	473	426	455
Implicit interest in rents	59	45	40	38	38
	<u>547</u>	<u>526</u>	<u>513</u>	<u>464</u>	<u>493</u>
Earnings available for fixed charges(b)	<u>\$1,897</u>	<u>\$2,083</u>	<u>\$2,169</u>	<u>\$1,939</u>	<u>\$2,294</u>
Interest expense	\$ 488	\$ 481	\$ 473	\$ 426	\$ 455
Capitalized interest	21	22	17	17	17
Implicit interest in rents	59	45	40	38	38
Total fixed charges(b)	<u>\$ 568</u>	<u>\$ 548</u>	<u>\$ 530</u>	<u>\$ 481</u>	<u>\$ 510</u>
Ratio of earnings to fixed charges(a)	<u>3.3x</u>	<u>3.8x</u>	<u>4.1x</u>	<u>4.0x</u>	<u>4.5x</u>

- (a) Our "Income before income taxes and losses in equity investments" for the periods presented has been significantly affected by restructurings, asset impairments, divestitures and other items that management believes are not representative of our results. The effect of these items on our "Income before income taxes and losses in equity investments" should be considered when comparing the "Ratio of earnings to fixed charges" for the periods presented.
- (b) 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 Consolidated 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, as amounts are immaterial.

Exhibit 21.1

<i>Name</i>	<i>Jurisdiction of Incorporation/Formation</i>
0842463 B.C. Ltd.	British Columbia
1-800-Pack-Rat, LLC	Delaware
3368084 Canada Inc.	Canada
635952 Ontario Inc.	Ontario
Acaverde S.A. de C.V.	Mexico
Acaverde Servicios, S.A. de C.V.	Mexico
Advanced Environmental Technical Services, L.L.C.	Delaware
Akron Regional Landfill, Inc.	Delaware
Alabama Waste Disposal Solutions, L.L.C.	Alabama
Alliance Sanitary Landfill, Inc.	Pennsylvania
Alpharetta Transfer Station, LLC	Georgia
American Landfill, Inc.	Ohio
Anderson Landfill, Inc.	Delaware
Antelope Valley Recycling and Disposal Facility, Inc.	California
Arden Landfill, Inc.	Pennsylvania
Articulus spolka z ograniczona odpowiedzialnoscia	Poland
Atlantic Waste Disposal, Inc.	Delaware
Automated Salvage Transport Co., L.L.C.	Delaware
Auxiwaste Services SA	France
Avalon South, LLC	Delaware
Avalon Southwest, Inc.	Delaware
Azusa Land Reclamation, Inc.	California
B&B Landfill, Inc.	Delaware
Barre Landfill Gas Associates, L.P.	Delaware
Beecher Development Company	Illinois
Big Dipper Enterprises, Inc.	North Dakota
Bluegrass Containment, L.L.C.	Delaware
Burnsville Sanitary Landfill, Inc.	Minnesota
CA Newco, L.L.C.	Delaware
Cal Sierra Disposal	California
California Asbestos Monofill, Inc.	California
Canadian Waste Services Holdings Inc.	Ontario
Capital Sanitation Company	Nevada
Capitol Disposal, Inc.	Alaska
Carolina Grading, Inc.	South Carolina
Cedar Ridge Landfill, Inc.	Delaware
Central Disposal Systems, Inc.	Iowa
Chadwick Road Landfill, Inc.	Georgia
Chambers Clearview Environmental Landfill, Inc.	Mississippi
Chambers Development Company, Inc.	Delaware
Chambers Development of Ohio, Inc.	Ohio
Chambers of Georgia, Inc.	Delaware
Chambers of Mississippi, Inc.	Mississippi
Chemical Waste Management of Indiana, L.L.C.	Delaware
Chemical Waste Management of the Northwest, Inc.	Washington
Chemical Waste Management, Inc.	Delaware
Chesser Island Road Landfill, Inc.	Georgia

City Environmental Services, Inc. of Waters	Michigan
Cleburne Landfill Company Corp.	Alabama
Coast Waste Management, Inc.	California
Connecticut Valley Sanitary Waste Disposal, Inc.	Massachusetts
Conservation Services, Inc.	Colorado
Coshocton Landfill, Inc.	Ohio
Cougar Landfill, Inc.	Texas
Countryside Landfill, Inc.	Illinois
CR Group, LLC	Utah
Cuyahoga Landfill, Inc.	Delaware
CWM Chemical Services, L.L.C.	Delaware
Dafter Sanitary Landfill, Inc.	Michigan
Dauphin Meadows, Inc.	Pennsylvania
Deep Valley Landfill, Inc.	Delaware
Deer Track Park Landfill, Inc.	Delaware
Del Almo Landfill, L.L.C.	Delaware
Delaware Recyclable Products, Inc.	Delaware
Dickinson Landfill, Inc.	Delaware
Disposal Service, Incorporated	West Virginia
Doctor Bramblett Road, LLC	Georgia
E.C. Waste, Inc.	Puerto Rico
Earthmovers Landfill, L.L.C.	Delaware
East Liverpool Landfill, Inc.	Ohio
Eastern One Land Corporation	Delaware
Eco-Vista, LLC	Arkansas
eCycling Services, L.L.C.	Delaware
El Coqui Landfill Company, Inc.	Puerto Rico
El Coqui Waste Disposal, Inc.	Delaware
ELDA Landfill, Inc.	Delaware
Elk River Landfill, Inc.	Minnesota
Envirofil of Illinois, Inc.	Illinois
Evergreen Landfill, Inc.	Delaware
Evergreen Recycling and Disposal Facility, Inc.	Delaware
Feather River Disposal, Inc.	California
Ferrybridge MFE Limited	United Kingdom
G.I. Industries	Utah
GA Landfills, Inc.	Delaware
Gallia Landfill, Inc.	Delaware
Garick, LLC	Delaware
Garnet of Maryland, Inc.	Maryland
Gartran, L.L.C.	Ohio
Gateway Transfer Station, LLC	Georgia
Georgia Waste Systems, Inc.	Georgia
Giordano Recycling, L.L.C.	Delaware
Glades Landfill, LLC	Florida
Glen's Sanitary Landfill, Inc.	Michigan
Grand Central Sanitary Landfill, Inc.	Pennsylvania
Greenbow, LLC	Alabama
Greenleaf Compaction, Inc.	Arizona
Grupo WMX, S.A. De C.V.	Mexico
Guadalupe Mines Mutual Water Company	California

Guadalupe Rubbish Disposal Co., Inc.	California
Guam Resource Recovery Partners, L.P.	Delaware
Harris Sanitation, Inc.	Florida
Harwood Landfill, Inc.	Maryland
Hedco Landfill Limited	England
High Mountain Fuels LLC	Delaware
Hillsboro Landfill Inc.	Oregon
Holyoke Sanitary Landfill, Inc.	Massachusetts
IN Landfills, L.L.C.	Delaware
International Environmental Management, Inc.	Georgia
Jahner Sanitation, Inc.	North Dakota
Jay County Landfill, L.L.C.	Delaware
JFS (UK) Limited	England
K and W Landfill Inc.	Michigan
Keene Road Landfill, Inc.	Florida
Kelly Run Sanitation, Inc.	Pennsylvania
King George Landfill Properties, LLC	Virginia
King George Landfill, Inc.	Virginia
Lakeville Recycling, L.P.	Delaware
Land Reclamation Company, Inc.	Delaware
Land South Holdings, LLC	Delaware
Landfill Services of Charleston, Inc.	West Virginia
Laurel Highlands Landfill, Inc.	Pennsylvania
LCS Services, Inc.	West Virginia
Liberty Landfill, L.L.C.	Delaware
Liberty Lane West Owners' Association	New Hampshire
Liquid Waste Management, Inc.	California
Longleaf C&D Disposal Facility, Inc.	Florida
Looney Bins, Inc.	California
Mahoning Landfill, Inc.	Ohio
Mass Gravel Inc.	Massachusetts
Mc Ginnes Industrial Maintenance Corporation	Texas
McDaniel Landfill, Inc.	North Dakota
McGill Landfill, Inc.	Michigan
Meadowfill Landfill, Inc.	Delaware
Michigan Environs, Inc.	Michigan
Midwest One Land Corporation	Delaware
Modern-Mallard Energy, LLC	Delaware
Modesto Garbage Co., Inc.	California
Moor Refuse, Inc.	California
Mountain Indemnity Insurance Company	Vermont
Mountainview Landfill, Inc. (MD)	Maryland
Mountainview Landfill, Inc. (UT)	Utah
Multifuel Energy Limited	Scotland
Nassau Landfill, L.L.C.	Delaware
National Guaranty Insurance Company of Vermont	Vermont
New England CR L.L.C.	Delaware
New Milford Connecticut Farms, LLC	Delaware
New Milford Landfill, L.L.C.	Delaware
New Orleans Landfill, L.L.C.	Delaware
NH/VT Energy Recovery Corporation	New Hampshire

North Manatee Recycling and Disposal Facility, L.L.C.	Florida
Northwestern Landfill, Inc.	Delaware
Nu-Way Live Oak Reclamation, Inc.	Delaware
Oakleaf Global Holdings, Inc.	Delaware
Oakleaf Waste Management Ltd.	Canada
Oakleaf Waste Management, Inc.	Delaware
Oakleaf Waste Management, LLC	Connecticut
Oakridge Landfill, Inc.	South Carolina
Oakwood Landfill, Inc.	South Carolina
OGH Acquisition Corporation	Delaware
Okeechobee Landfill, Inc.	Florida
Ozark Ridge Landfill, Inc.	Arkansas
P & R Environmental Industries, L.L.C.	North Carolina
Pacific Waste Management L.L.C.	Delaware
Pappy, Inc.	Maryland
Peltz H.C., LLC	Wisconsin
Pen-Rob, Inc.	Arizona
Penuelas Valley Landfill, Inc.	Puerto Rico
People's Landfill, Inc.	Delaware
Peterson Demolition, Inc.	Minnesota
Phoenix Resources, Inc.	Pennsylvania
Pine Grove Landfill, Inc. (PA)	Pennsylvania
Pine Tree Acres, Inc.	Michigan
PPP Corporation	Delaware
Quail Hollow Landfill, Inc.	Delaware
Questquill Limited	United Kingdom
R & B Landfill, Inc.	Georgia
RAA Colorado, L.L.C.	Colorado
RAA Trucking, LLC	Wisconsin
RCI Hudson, Inc.	Massachusetts
Recycle America Co., L.L.C.	Delaware
Recycle America Holdings, Inc.	Delaware
Redwood Landfill, Inc.	Delaware
Refuse Services, Inc.	Florida
Refuse, Inc.	Nevada
Reliable Landfill, L.L.C.	Delaware
Remote Landfill Services, Inc.	Tennessee
Reno Disposal Co.	Nevada
Resco Holdings L.L.C.	Delaware
Resource Control Composting, Inc.	Massachusetts
Resource Control, Inc.	Massachusetts
Richland County Landfill, Inc.	South Carolina
Riverbend Landfill Co.	Oregon
RTS Landfill, Inc.	Delaware
Rust Engineering & Construction Inc.	Delaware
Rust Engineering (Thailand) Ltd	Thailand
Rust International Inc.	Delaware
S & J Landfill Limited Partnership	Texas
S & S Grading, Inc.	West Virginia
S&T Materials, LLC	Florida
Sanifill de Mexico (US), Inc.	Delaware

Sanifill de Mexico, S.A. de C.V.	Mexico
SC Holdings, Inc.	Pennsylvania
Serubam Servicos Urbanos E Ambientais Ltda	Brazil
SES Bridgeport L.L.C.	Delaware
Shade Landfill, Inc.	Delaware
Sierra Estrella Landfill, Inc.	Arizona
Southern Alleghenies Landfill, Inc.	Pennsylvania
Southern One Land Corporation	Delaware
Southern Waste Services, L.L.C.	Delaware
Spruce Ridge, Inc.	Minnesota
Stony Hollow Landfill, Inc.	Delaware
Suburban Landfill, Inc.	Delaware
Swire Waste Management Limited	Hong Kong
TerraFuels, LLC	Texas
Texarkana Landfill, L.L.C.	Delaware
Texas Pack Rat—Austin #1 LLC	Texas
Texas Pack Rat—Dallas #1 LLC	Texas
Texas Pack Rat—Houston #1 LLC	Texas
Texas Pack Rat—Houston #2 LLC	Texas
Texas Pack Rat—Houston #3 LLC	Texas
Texas Pack Rat—San Antonio #1 LLC	Texas
Texas Pack Rat Service Company LLC	Texas
The Peltz Group, LLC	Wisconsin
The Waste Management Charitable Foundation	Delaware
The Woodlands of Van Buren, Inc.	Delaware
Thermal Remediation Solutions, L.L.C.	Oregon
TN'T Sands, Inc.	South Carolina
Trail Ridge Landfill, Inc.	Delaware
Transamerican Waste Central Landfill, Inc.	Delaware
Trash Hunters, Inc.	Mississippi
TrashCo Inc.	Delaware
TX Newco, L.L.C.	Delaware
United Waste Systems Leasing, Inc.	Michigan
United Waste Systems of Gardner, Inc.	Massachusetts
USA South Hills Landfill, Inc.	Pennsylvania
USA Valley Facility, Inc.	Delaware
USA Waste Geneva Landfill, Inc.	Delaware
USA Waste Landfill Operations and Transfer, Inc.	Texas
USA Waste of California, Inc.	Delaware
USA Waste of Texas Landfills, Inc.	Delaware
USA Waste of Virginia Landfills, Inc.	Delaware
USA Waste Services of NYC, Inc.	Delaware
USA Waste-Management Resources, LLC	New York
USA-Crinc, L.L.C.	Delaware
UWS Barre, Inc.	Massachusetts
Valley Garbage and Rubbish Company, Inc.	California
Vern's Refuse Service, Inc.	North Dakota
Vickery Environmental, Inc.	Ohio
Vista Landfill, LLC	Florida
Voyageur Disposal Processing, Inc.	Minnesota
Warner Company	Delaware

Waste Away Group, Inc.	Alabama
Waste Management Arizona Landfills, Inc.	Delaware
Waste Management Buckeye, L.L.C.	Delaware
Waste Management Collection and Recycling, Inc.	California
Waste Management Disposal Services of Colorado, Inc.	Colorado
Waste Management Disposal Services of Maine, Inc.	Maine
Waste Management Disposal Services of Maryland, Inc.	Maryland
Waste Management Disposal Services of Massachusetts, Inc.	Massachusetts
Waste Management Disposal Services of Oregon, Inc.	Delaware
Waste Management Disposal Services of Pennsylvania, Inc.	Pennsylvania
Waste Management Disposal Services of Virginia, Inc.	Delaware
Waste Management Holdings, Inc.	Delaware
Waste Management Inc. of Florida	Florida
Waste Management Indycoke, L.L.C.	Delaware
Waste Management International, Inc.	Delaware
Waste Management National Services, Inc.	Delaware
Waste Management New England Environmental Transport, Inc.	Delaware
Waste Management of Alameda County, Inc.	California
Waste Management of Alaska, Inc.	Delaware
Waste Management of Arizona, Inc.	California
Waste Management of Arkansas, Inc.	Delaware
Waste Management of California, Inc.	California
Waste Management of Canada Corporation	Nova Scotia
Waste Management of Carolinas, Inc.	North Carolina
Waste Management of Colorado, Inc.	Colorado
Waste Management of Connecticut, Inc.	Delaware
Waste Management of Delaware, Inc.	Delaware
Waste Management of Fairless, L.L.C.	Delaware
Waste Management of Five Oaks Recycling and Disposal Facility, Inc.	Delaware
Waste Management of Georgia, Inc.	Georgia
Waste Management of Hawaii, Inc.	Delaware
Waste Management of Idaho, Inc.	Idaho
Waste Management of Illinois, Inc.	Delaware
Waste Management of Indiana Holdings One, Inc.	Delaware
Waste Management of Indiana Holdings Two, Inc.	Delaware
Waste Management of Indiana, L.L.C.	Delaware
Waste Management of Iowa, Inc.	Iowa
Waste Management of Kansas, Inc.	Kansas
Waste Management of Kentucky Holdings, Inc.	Delaware
Waste Management of Kentucky, L.L.C.	Delaware
Waste Management of Leon County, Inc.	Florida
Waste Management of Londonderry, Inc.	Delaware
Waste Management of Louisiana Holdings One, Inc.	Delaware
Waste Management of Louisiana, L.L.C.	Delaware
Waste Management of Maine, Inc.	Maine
Waste Management of Maryland, Inc.	Maryland
Waste Management of Massachusetts, Inc.	Massachusetts
Waste Management of Metro Atlanta, Inc.	Georgia
Waste Management of Michigan, Inc.	Michigan
Waste Management of Minnesota, Inc.	Minnesota
Waste Management of Mississippi, Inc.	Mississippi

Waste Management of Missouri, Inc.	Delaware
Waste Management of Montana, Inc.	Delaware
Waste Management of Nebraska, Inc.	Delaware
Waste Management of Nevada, Inc.	Nevada
Waste Management of New Hampshire, Inc.	Connecticut
Waste Management of New Jersey, Inc.	Delaware
Waste Management of New Mexico, Inc.	New Mexico
Waste Management of New York, L.L.C.	Delaware
Waste Management of North Dakota, Inc.	Delaware
Waste Management of Ohio, Inc.	Ohio
Waste Management of Oklahoma, Inc.	Oklahoma
Waste Management of Oregon, Inc.	Oregon
Waste Management of Pennsylvania Gas Recovery, L.L.C.	Delaware
Waste Management of Pennsylvania, Inc.	Pennsylvania
Waste Management of Plainfield, L.L.C.	Delaware
Waste Management of Rhode Island, Inc.	Delaware
Waste Management of South Carolina, Inc.	South Carolina
Waste Management of South Dakota, Inc.	South Dakota
Waste Management of Texas Holdings, Inc.	Delaware
Waste Management of Texas, Inc.	Texas
Waste Management of Tunica Landfill, Inc.	Mississippi
Waste Management of Utah, Inc.	Utah
Waste Management of Virginia, Inc.	Virginia
Waste Management of Washington, Inc.	Delaware
Waste Management of West Virginia, Inc.	Delaware
Waste Management of Wisconsin, Inc.	Wisconsin
Waste Management of Wyoming, Inc.	Delaware
Waste Management Partners, Inc.	Delaware
Waste Management Recycling and Disposal Services of California, Inc.	California
Waste Management Recycling of New Jersey, L.L.C.	Delaware
Waste Management Service Center, Inc.	Delaware
Waste Management, Inc. of Tennessee	Tennessee
Waste Resources of Tennessee, Inc.	Tennessee
Waste to Energy Holdings, Inc.	Delaware
WESI Baltimore Inc.	Delaware
WESI Capital Inc.	Delaware
WESI Peekskill Inc.	Delaware
WESI Westchester Inc.	Delaware
Westchester Resco Associates, L.P.	Delaware
Western One Land Corporation	Delaware
Western Waste Industries	California
Western Waste of Texas, L.L.C.	Delaware
Wheelabrator Baltimore L.L.C.	Delaware
Wheelabrator Baltimore, L.P.	Maryland
Wheelabrator Bridgeport, L.P.	Delaware
Wheelabrator Cedar Creek Inc.	Delaware
Wheelabrator Chambers Inc.	Delaware
Wheelabrator China Holdings, Limited	Hong Kong
Wheelabrator Claremont Company, L.P.	Delaware
Wheelabrator Claremont Inc.	Delaware
Wheelabrator Concord Company, L.P.	Delaware

Wheelabrator Concord Inc.	Delaware
Wheelabrator Connecticut Inc.	Delaware
Wheelabrator Culm Services Inc.	Delaware
Wheelabrator Environmental Systems Inc.	Delaware
Wheelabrator Environmental Technologies Consulting (Shanghai) Co., Ltd.	People's Republic Of China
Wheelabrator Falls Inc.	Delaware
Wheelabrator Frackville Energy Company Inc.	Delaware
Wheelabrator Frackville Properties Inc.	Delaware
Wheelabrator Frederick Inc.	Delaware
Wheelabrator Fuel Services Inc.	Delaware
Wheelabrator Gloucester Company, L.P.	New Jersey
Wheelabrator Gloucester Inc.	Delaware
Wheelabrator Guam Inc.	Delaware
Wheelabrator Hudson Falls L.L.C.	Delaware
Wheelabrator Lassen Inc.	Delaware
Wheelabrator Lisbon Inc.	Delaware
Wheelabrator McKay Bay Inc.	Florida
Wheelabrator Millbury Inc.	Delaware
Wheelabrator New Hampshire Inc.	Delaware
Wheelabrator New Jersey Inc.	Delaware
Wheelabrator NHC Inc.	Delaware
Wheelabrator North Andover Inc.	Delaware
Wheelabrator North Broward Inc.	Delaware
Wheelabrator Norwalk Energy Company Inc.	Delaware
Wheelabrator Penacook Inc.	Delaware
Wheelabrator Pinellas Inc.	Delaware
Wheelabrator Portsmouth Inc.	Delaware
Wheelabrator Putnam Inc.	Delaware
Wheelabrator Ridge Energy Inc.	Delaware
Wheelabrator Saugus Inc.	Delaware
Wheelabrator Shasta Energy Company Inc.	Delaware
Wheelabrator Sherman Energy Company, G.P.	Maine
Wheelabrator Sherman Station L.L.C.	Delaware
Wheelabrator Sherman Station One Inc.	Delaware
Wheelabrator South Broward Inc.	Delaware
Wheelabrator Spokane Inc.	Delaware
Wheelabrator Technologies Inc.	Delaware
Wheelabrator Technologies International Inc.	Delaware
Wheelabrator Westchester, L.P.	Delaware
White Lake Landfill, Inc.	Michigan
Willow Oak Landfill, LLC	Georgia
Willows Power and Recycling Holdings Limited	England and Wales
Willows Power and Recycling Limited	England and Wales
Willows Power and Recycling Operations Limited	England and Wales
Willows Power and Recycling Trading Limited	England and Wales
WM Arizona Operations, L.L.C.	Delaware
WM Asphalt Products, LLC	Delaware
WM Bagco, LLC	Delaware
WM CCP Solutions, LLC	Delaware
WM Conversion Fund, LLC	Delaware
WM Corporate Services, Inc.	Delaware

WM Curbside, LLC	Delaware
WM Emergency Employee Support Fund, Inc.	Delaware
WM Energy Resources, Inc.	Delaware
WM Energy Solutions, Inc.	Delaware
WM Green Squad, LLC	Delaware
WM GreenOps, LLC	Delaware
WM GTL, Inc.	Delaware
WM GTL, LLC	Delaware
WM Healthcare Solutions, Inc.	Delaware
WM Illinois Renewable Energy, L.L.C.	Delaware
WM International Holdings, Inc.	Delaware
WM KS Energy Resources, LLC	Delaware
WM LampTracker, Inc.	Delaware
WM Landfills of Ohio, Inc.	Delaware
WM Landfills of Tennessee, Inc.	Delaware
WM Leasing of Arizona, L.L.C.	Delaware
WM Leasing of Texas, L.P.	Delaware
WM LNG, Inc.	Delaware
WM Logistics India Private Limited	India
WM Logistics, LLC	Delaware
WM Mercury Waste, Inc.	Delaware
WM Middle Tennessee Environmental Center, L.L.C.	Delaware
WM Mobile Bay Environmental Center, Inc.	Delaware
WM ND Energy Resources II, LLC	Delaware
WM ND Energy Resources, LLC	Delaware
WM Nevada Renewable Energy, L.L.C.	Delaware
WM of Texas, L.L.C.	Delaware
WM Organic Growth, Inc.	Delaware
WM PA Holdings, LLC	Delaware
WM Pack-Rat of California, LLC	Delaware
WM Pack-Rat of Illinois, LLC	Delaware
WM Pack-Rat of Kentucky, LLC	Delaware
WM Pack-Rat of Maryland, LLC	Delaware

WM Pack-Rat of Massachusetts, LLC	Delaware
WM Pack-Rat of Michigan, LLC	Delaware
WM Pack-Rat of Nevada, LLC	Delaware
WM Pack-Rat of Ohio, LLC	Delaware
WM Pack-Rat of Rhode Island, LLC	Delaware
WM Pack-Rat, LLC	Delaware
WM Partnership Holdings, Inc.	Delaware
WM Phoenix Energy Resources, LLC	Delaware
WM Product Recovery Centers, L.L.C.	Delaware
WM Product Recovery Services, L.L.C.	Colorado
WM Quebec Inc.	Canada
WM RA Canada Inc.	Ontario
WM Recycle America, L.L.C.	Delaware
WM Recycle Europe, L.L.C.	Delaware
WM Recycling Latin America, LLC	Delaware
WM Refined Coal, LLC	Delaware
WM Renewable Energy, L.L.C.	Delaware
WM Resource Recovery & Recycling Center, Inc.	Delaware
WM Resources, Inc.	Pennsylvania
WM Safety Services, L.L.C.	Delaware
WM Security Services, Inc.	Delaware
WM Services SA	Argentina
WM Storage II, Inc.	Delaware
WM Storage, Inc.	Delaware
WM Texas Pack Rat, LLC	Delaware
WM Trash Monitor Plus, L.L.C.	Delaware
WM TX Energy Resources II, LLC	Delaware
WM TX Energy Resources, LLC	Delaware
WM WY Energy Resources II, LLC	Delaware
WM WY Energy Resources III, LLC	Delaware
WM WY Energy Resources, LLC	Delaware
WMI Medical Services of Indiana, Inc.	Indiana
WMI Mexico Holdings, Inc.	Delaware
WMNA Container Recycling, L.L.C.	Delaware
WMRE of Kentucky, LLC	Delaware
WMRE of Michigan, LLC	Delaware
WMRE of Ohio, LLC	Delaware
WMRE of Ohio-American, LLC	Texas
WMSALSA, Inc.	Texas
WMST Illinois, L.L.C.	Illinois
WTI Air Pollution Control Inc.	Delaware
WTI Financial L.L.C.	Delaware
WTI International Holdings Inc.	Delaware
WTI Rust Holdings Inc.	Delaware
WTI UK Fin Co Ltd	England and Wales
WTI UK Ltd	England and Wales
WTI/EFW Holdings Ltd	England and Wales
WTI/Willows Construction Ltd	England and Wales

Exhibit 23.1**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-181335) of Waste Management, Inc. pertaining to the issuance of shares of common stock pursuant to the Waste Management, Inc. Employee Stock Purchase Plan,
- (2) Registration Statement (Form S-8 No. 333-159476) of Waste Management, Inc. pertaining to the issuance of shares of common stock pursuant to the 2009 Stock Incentive Plan,
- (3) Registration Statement (Form S-8 No. 333-184156) of Waste Management, Inc. pertaining to the issuance of shares of common stock pursuant to the Waste Management Retirement Savings Plan and the Waste Management Retirement Savings Plan for Bargaining Unit Employees,
- (4) Registration Statement (Form S-3 Automatic Shelf Registration No. 333-184157) of Waste Management, Inc.,
- (5) Registration Statement (Form S-4 No. 333-32805 and Post-Effective Amendment No. 1 thereto) of Waste Management, Inc.,
- (6) Registration Statement (Form S-8 No. 333-115932) of Waste Management, Inc. pertaining to the issuance of shares of common stock pursuant to the 2004 Stock Incentive Plan,
- (7) Registration Statement (Form S-8 No. 333-45066) of Waste Management, Inc. pertaining to the issuance of shares of common stock pursuant to the 2000 Stock Incentive Plan and 1996 Stock Option Plan for Non-Employee Directors, and
- (8) Registration Statement (Form S-8 No. 333-14613) of Waste Management, Inc. pertaining to the issuance of shares of common stock pursuant to the 1993 Stock Incentive Plan

of our reports dated February 14, 2013, with respect to the consolidated financial statements and schedule of Waste Management, Inc. and the effectiveness of internal control over financial reporting of Waste Management, Inc. included in this Annual Report (Form 10-K) of Waste Management, Inc. for the year ended December 31, 2012.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 14, 2013

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James C. Fish, Jr., certify that:

- i. I have reviewed this report on Form 10-K of Waste Management, Inc.;
- ii. 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;
- iii. 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;
- iv. 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
- v. 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.

By: /s/ JAMES C. FISH, JR.
James C. Fish, Jr.
*Executive Vice President and
Chief Financial Officer*

Date: February 14, 2013

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 Annual Report of Waste Management, Inc. (the "Company") on Form 10-K for the period ended December 31, 2012 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
President and Chief Executive Officer

February 14, 2013

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 Annual Report of Waste Management, Inc. (the "Company") on Form 10-K for the period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James C. Fish, Jr., 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/ JAMES C. FISH, JR.

James C. Fish, Jr.
*Executive Vice President and
Chief Financial Officer*

February 14, 2013

Exhibit 95**Mine Safety Disclosures**

This exhibit contains certain specified disclosures regarding mine safety required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K. Certain of our subsidiaries have permits for surface mining operations that are incidental to excavation work for landfill development.

During the year ended December 31, 2012, we did not receive any of the following: (a) a citation from the U.S. Mine Safety and Health Administration (“MSHA”) for a violation of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977 (the “Mine Safety Act”); (b) an order issued under section 104(b) of the Mine Safety Act; (c) a citation or order for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Safety Act; (d) a flagrant violation under section 110(b)(2) of the Mine Safety Act; (e) an imminent danger order under section 107(a) of the Mine Safety Act; or (f) a proposed assessment from the MSHA.

In addition, during the year ended December 31, 2012, we had no mining-related fatalities, we had no pending legal actions before the Federal Mine Safety and Health Review Commission involving a coal or other mine, and we did not receive any written notice from the MSHA involving a pattern of violations, or the potential to have such a pattern, of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Safety Act.