West, Tommi

From: Matoska, Maria
Sent: Thursday, November 29, 2012 9:06 AM
To: West, Tommi
Subject: FW: General Permit for Eco Vista Compost Facility
Attachments: NOI-EVCF General Permit.pdf

Rec'd Digitally

AFIN: 72-00144

PMT#: 0013-SCYW

RECEIVED
By Tommi West at 9:21 am, Nov 29, 2012

DOC ID#: 63507

TO: MM>File

S W M D

From: Johnny M. Mason [mailto:jmmason@sedcousa.net]
Sent: Thursday, November 29, 2012 9:02 AM
To: Matoska, Maria; Leamons, Bryan
Cc: DConrad@wm.com; ltharp@wm.com
Subject: NOI: General Permit for Eco Vista Compost Facility

RE: **Notice of Intent (NOI)**
General Permit for Yard Waste Compost Facility (Type Y)
Eco Vista Composting Facility (EVCF)
Eco Vista, LLC
ADEQ Permit No.: 0013-SCYW-MC **AFIN: 72-00144**

Dear Mr. Leamons and Ms. Matoska:

On behalf of our client, Eco Vista, LLC, please find attached a file containing the Notice of Intent (NOI) and required attachments for continued coverage under the General Permit (Type Y) for Operation of the Eco Vista Composting Facility (EVCF). The NOI has been completed and signed by appropriate personnel as required by the Arkansas Department of Environmental Quality (ADEQ). We trust that the information contained within the attachment is complete and satisfactory for continued coverage under the General Permit for Yard Waste Compost Facility. Until further notice from the ADEQ, the EVCF will continue to operate under the existing operating plans, approved by ADEQ on January 18, 2011 (Document #: 58800).

If you need additional information, please do not hesitate to contact me.

Sincerely,

Johnny Mason, P.E., P.S.
Sr. Project Manager
Shepherd Engineering Design Co., Inc.
180 Industrial Circle East, Suite A
Springdale, AR 72762
(479) 419-5910 Office
(405) 625-6253 Mobile
(479) 419-5916 Fax
jmmason@sedcousa.net

CONFIDENTIALITY NOTE:

November 29, 2012

By Electronic Mail Only

Arkansas Department of Environmental Quality
Solid Waste Division
5301 Northshore Drive
North Little Rock, AR 72118-5317

RE: **Notice of Intent (NOI)**
General Permit for Yard Waste Compost Facility (Type Y)
Eco Vista Composting Facility (EVCF)
Eco Vista, LLC
ADEQ Permit No.: 0013-SCYW-MC **AFIN: 72-00144**

Dear Mr. Leamons and Ms. Matoska:

On behalf of our client, Eco Vista, LLC, please find attached a file containing the Notice of Intent (NOI) and required attachments for continued coverage under the General Permit (Type Y) for Operation of the Eco Vista Composting Facility (EVCF). The NOI has been completed and signed by appropriate personnel as required by the Arkansas Department of Environmental Quality (ADEQ). We trust that the information contained within the attachment is complete and satisfactory for continued coverage under the General Permit for Yard Waste Compost Facility. Until further notice from the ADEQ, the EVCF will continue to operate under the existing operating plans, approved by ADEQ on January 18, 2011 (Document #: 58800).

If you need additional information, please do not hesitate to contact me.

Sincerely,
Shepherd Engineering Design Co., Inc.

Johnny M.L. Mason, P.E., P.S
Senior Project Manager

Cc: Mr. David Conrad – Market Area Engineer
Mr. Lee Tharp – Sr. District Manager

WASTE MANAGEMENT

ECO-VISTA, LLC
ECO-VISTA COMPOST FACILITY
GENERAL PERMIT RENEWAL
(TYPE Y COMPOSTING FACILITY)

Permit No.: 0013-SCYW-MC
AFIN No.: 72-00144

NOVEMBER 30, 2012

Prepared For:
Eco-Vista Compost Facility
Eco-Vista, LLC
2210 Waste Management Drive
Springdale, AR 72762

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS - ENGINEER

Prepared by:
Shepherd Engineering Design Co., Inc.
180 Industrial Circle East
Suite A
Springdale, AR 72762
SEDCo Project No.: 12069

11-29-12
STATE OF ARKANSAS
LICENSED PROFESSIONAL ENGINEER
No. 14987
JOHNNY M. MASON

shepherd ENGINEERING
DESIGN COMPANY INCORPORATED

TABLE OF CONTENTS

1.0 INTRODUCTION

1.1 Purpose

The purpose of this general compost permit application is to renew the Waste Management Eco-Vista Compost Facility (EVCF) general compost permit. The compost facility is located at 2210 Waste Management Drive (aka: 1041 Arbor Acres Ave.), Springdale, Arkansas. The general location of the compost site is in the South Half of Section 14, Township 17 North, Range 31 West in Washington County, Arkansas. EVCF's current general permit was issued on February 15, 2006 and was to expire on February 15, 2011. In accordance with Arkansas Department of Pollution Control Ecology (APC&EC) Regulation 22.308(d) and (f), Arkansas Department of Environmental Quality (ADEQ) extended the expiration date of the current permit to October 2, 2012, since the ADEQ – Solid Waste Management Division (SWMD) decided to issue a "new" General Permit for yard waste composting facilities (SWMD Reference ID: 59131). The "new" General Permit became effective on October 2, 2012. To continue coverage under the "new" General Permit, EVCF is required to submit a Notice of Intent (NOI) by November 30, 2012. This permit renewal contains all the required Attachments for coverage under the General Permit for the construction and operation of yard waste composting facility (Type Y). In addition, it satisfies the requirements of the new NOI.

1.2 Facility Description

EVCF is located south of the city of Tontitown, Arkansas within the property boundary of the Eco-Vista Class 1 Landfill Facility (EVLF). Eco-Vista, LLC currently owns and operates the medium capacity (MC) Type Y compost facility in compliance with ADEQ Regulation 22 Chapter 8 and the General Permit. The compost facility is approximately 170 feet by 300 feet and constructed with a one-foot thick cohesive soil pad staging area, which is sloped to prevent ponding.

The original Compost Facility was approved by ADPC&EC for operation on July 22, 1993 and operated by Sunray Services Inc. (Sunray). (SWMD Reference ID: 4563)

2.0 LOCATION RESTRICTION AND SITTING REQUIREMENTS

2.1 Flood Hazards [22.803(a)(2)]

EVCF is designed and operated in a manner that will not restrict the flow of the base of the base flood, reduce the temporary water storage capacity of the floodplain, or result in washout of solid waste so as to pose a hazard to human health, wildlife, or land or water resources. In addition, the most recent Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map shows that the facility is not located within the 100-yr flood-plain (see **Attachment 1**). This map was last revised by FEMA on May 16, 2008.

2.2 Wetlands [22.803(a)(3)]

New Type Y facility or facility expansion applications are required to demonstrate that the facility is not located in any wetlands. The most recent Wetland Delineation was completed by Terracon and is included in the Eco-Vista Class 1 Landfill pre-application for the Proposed Expansion Area (SWMD Reference ID: 62336). Also, this application is not a new Type Y or expansion application. However, EVCF is not located in any area that could be considered a wetland.

2.3 Local Zoning [22.803(a)(4)]

Type Y facilities are required to comply with any municipality or county zoning restrictions as defined in a comprehensive county-wide land use plan. The EVCF is located within the City of Tontitown, Arkansas City limits, and is currently zoned as R-MH (see **Attachment 2**). Per City Ordinance 2012-07-393, solid waste disposal is a permitted use within R-MH zoning.

2.4 Setback Distance [22.803(a)(5)]

Type Y facilities placed in service after May 7, 1995 are required to meet (50) feet property boundary set-back distances, (100) feet from naturally occurring water body, stream or streambed, and (200) feet to an existing residence. EVCF meets all setback requirements as detailed in **Attachment 2** of this permit renewal.

2.5 Regional Solid Waste Management District [22.803(c)]

EVCF operates within the Boston Mountain Solid Waste District (herein referred to as District), which covers the Northwest Arkansas Counties of Madison and Washington. The facility must comply with any District rules regarding the siting location, design, construction, operation, maintenance, and closure of compost facilities. EVCF provided a notice to the District prior to submitting this application. A copy of notice can be found in **Attachment 3**.

3.0 ADDITIONAL REQUIREMENTS

3.1 Notice of Intent (NOI)

Owners and operators of Type Y composting facilities located within the State of Arkansas who desire coverage under this general permit shall submit a NOI to the Department. Facilities covered by the previous composting general permit are required to submit a new NOI to obtain coverage under this permit or apply for an individual permit. A copy of EVCF's NOI is detailed in **Attachment 4**.

3.2 General Site Map [22.804(b)(3)]

The General Permit requires a map or aerial photograph, indicating land use and zoning within ½ mile of the facility showing all residences, structures, surface waters public and private water supply sources, access roads, railroads, airports, historic sites, and other existing features in the project area (see **Attachment 2**).

3.3 Site Plan Map [22.804(b)(5)]

The General Permit requires that a site plan map be provided with the application. EVCF's site plan map is shown in **Attachment 5**, which at the minimum must delineate the following requirements:

- The proposed composting areas including any staging and storage areas for incoming materials and completed compost;
- Property boundary locations, the location of existing and proposed access road, on-site roads and other site improvements;
- Site topography, showing contours, existing and proposed drainage characteristics including any run-on and run-off control systems that will be constructed.

3.4 Operating Plan and Narrative [22.804(b)(8)(i) and 22.805]

The General Permit requires the facility to have an updated Operating Plan. EVCF has updated its Operating Plan to be in compliance with the General Permit for a Type Y Composting Facility, in addition to 22.804(8)(i)(A)-(H) and 22.805. A copy of the Operating Plan can be found in **Attachment 6** of this document.

3.5 Design Plan [22.806]

EVCF has been designed to be in compliance with the conditions stated in the General Permit for Type Y Composting Facility and Regulation 22.806(a)(1)-(6). A copy of the Design Plan can be found in **Attachment 7** of this document.

3.6 Permit Fee

For existing facilities the current annual billing cycle will remain unchanged and there are no additional fees. EVCF will continue paying the required annual fee(s), in accordance with Regulation 9.609(A) when it is billed by ADEQ.

3.7 Closure Plan [22.804(b)(9)]

The General Permit requires EVCF to have a Closure Plan meeting the following:

The Closure Plan shall contain a schedule and description of the steps necessary to close the facility. Included in the plan shall be detailed estimate of the cost required for a third party to perform the closure activities. The plans shall also include the following provisions:

- Periodic updates to the plan as determined by the Department
- The Department shall be notified in writing 60 days prior to the proposed termination date of the facility;
- Within 10 days of ceasing operations, all residuals, waste, etc. shall be removed from the site and disposed. The facility will then arrange for a final cleaning of any containers, equipment, machines, floors, and facility surfaces having come in contact with source-separated organic waste or solid waste.

The Closure Plan for EVCF that satisfies the requirements can be found in **Attachment 8** of this document.

4.0 FINANCIAL ASSUARNACE

4.1 Financial Assurance [22.810]

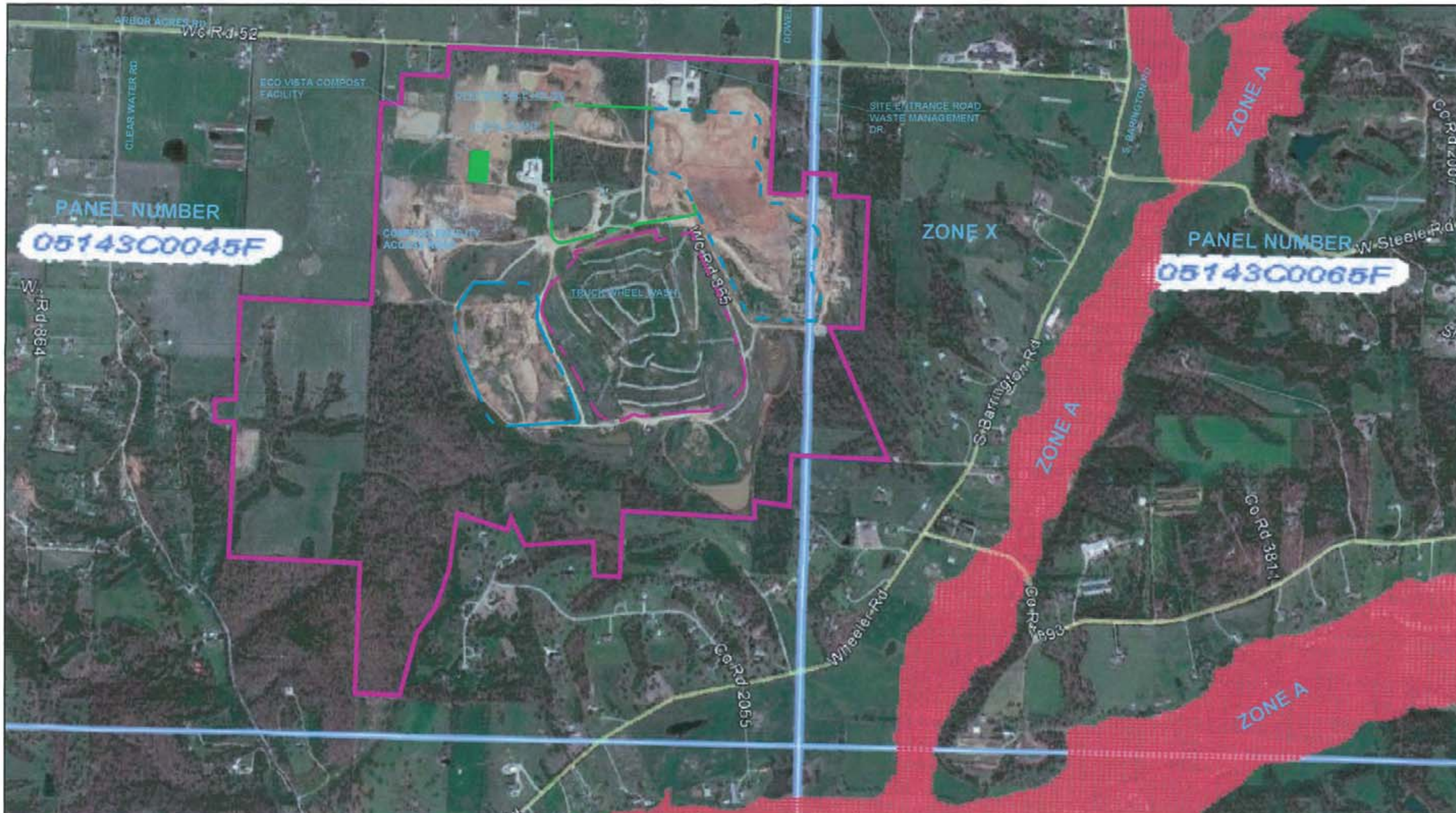
EVCF is required to post financial assurance in accordance with Regulation 22.810 and the general permit application and the allowable mechanism as per Regulation 22.1405 (see **Attachment 8**).

5.0 DISCLOSURE STATEMENT

5.1 Disclosure Statement

In accordance with Ark. Code Ann. §8-1-106, a disclosure statement is required to be maintained on forms provided by ADEQ. Publicly held companies like Waste Management, which file reports under the Securities Exchange Act, are not required to file ADEQ disclosure forms but they must submit the most recent report which provides information regarding the legal proceedings of the applicant. Therefore, the most recent Forms 10Q and 10K for Waste Management are included in **Attachment 9**.

ATTACHMENT 1
FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) MAP



LEGEND

- PROPERTY BOUNDARY
- EXISTING CLASS I PERMIT
- CLOSED CLASS I FOOTPRINT
- EXISTING CLASS IV PERMIT
- FUTURE CLASS I FOOTPRINT
- COMPOST PAD FOOTPRINT

ZONE A

Areas with a 1% annual chance of flooding and a 26% chance of flooding over the life of a 30-year mortgage. Because detailed analyses are not performed for such areas; no depths or base flood elevations are shown within these zones.

ZONE X (UNSHADED)

Area of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.

NOTES

1. FLOOD DATA OBTAINED FROM FEMA NATIONAL FLOOD HAZARD LAYER GOOGLE EARTH PLUG IN.

1000 0 500 1000 2000

SCALE IN FEET

N

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS - ENGINEER

STATE OF ARKANSAS
★★★
REGISTERED PROFESSIONAL ENGINEER
★★★
JOHNNY M. MASON
No. 14987

11-29-12

☐ CLIENT APPROVED: ____

☐ CLIENT APPROVED AS NOTED: ____

REVISIONS

shepherd ENGINEERING

Eco Vista, LLC
2210 Waste Management Dr.
Springdale, AR 72762

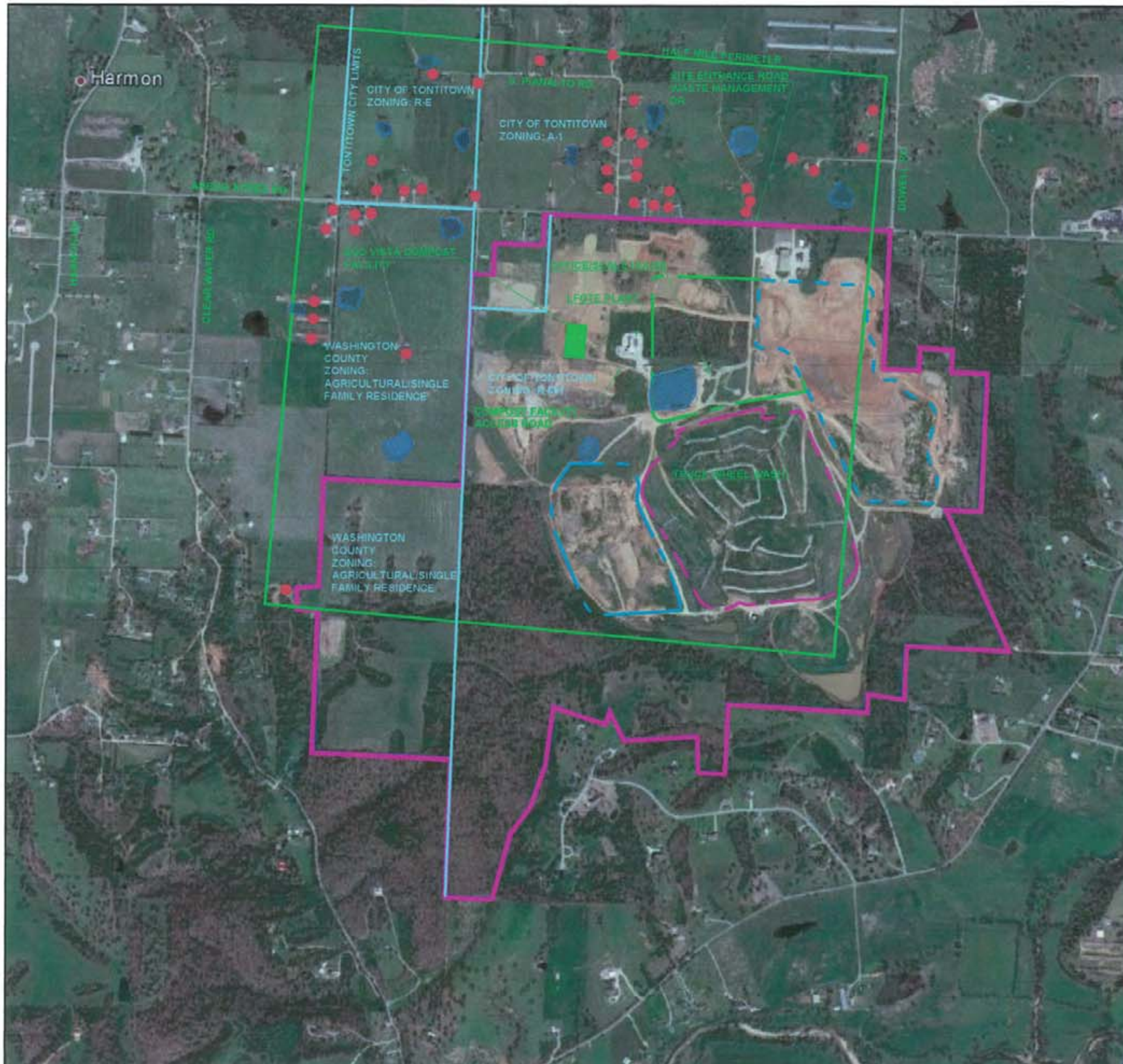
COMPOST FACILITY

FEMA FLOOD MAP

DATE: NOVEMBER 2012
PROJECT NO.: 12069

ATTACHMENT 1

ATTACHMENT 2
GENERAL SITE MAP



1000 0 500 1000 2000

SCALE IN FEET

N

LEGEND

- PROPERTY BOUNDARY
- EXISTING CLASS I PERMIT
- CLOSED CLASS I FOOTPRINT
- EXISTING CLASS IV PERMIT
- FUTURE CLASS I FOOTPRINT
- COMPOST PAD FOOTPRINT
- ZONING LINES
- DWELLING/BUILDINGS
- SURFACE WATER

NOTES

1. **Zoning shown hereon was taken from the City of Tontitown GIS on 11-15-2012.**

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS · ENGINEER

11-29-12
STATE OF ARKANSAS
REGISTERED PROFESSIONAL ENGINEER
JOHNNY M. L. MASON
No. 14967

☐ CLIENT APPROVED: _____

☐ CLIENT APPROVED AS NOTED: _____

REVISIONS

NO	DATE	DESCRIPTION

180 Industrial Circle East
Suite A
Springdale, AR 72762

DRN	BNB
DES	JMLM
CHK	JAS
APP	JAS

Phone: (479) 419-5910
Fax: (479) 419-5916

shepherd ENGINEERING

Eco Vista, LLC
2210 Waste Management Dr.
Springdale, AR 72762

COMPOST FACILITY

GENERAL SITE MAP

DATE: NOVEMBER 2012
PROJECT NO.: 12069

ATTACHMENT 2

ATTACHMENT 3
SOLID WASTE MANAGEMENT DISTRICT NOTIFICATION

WASTE MANAGEMENT

Eco-Vista, LLC
Eco-Vista Landfill
1041 Arbor Acres Avenue
Springdale, Arkansas 72762

November 28, 2012

By Certified Mail

Mr. Ralph Prince
Boston Mountain Solid Waste District
11398 Bond Road
Prairie Grove, Arkansas 72753

Subject: **Eco-Vista Landfill**
Yard Waste Composting Facility
New General Permit

Dear Mr. Prince:

The Arkansas Department of Environmental Quality (ADEQ) has prepared a new general permit for yard waste composting facilities. The new permit became effective on October 2, 2012. Existing yard waste composting facilities can continue under the new permit by submitting a Notice of Intent (NOI) and associated documents to the ADEQ by November 30, 2012. One of the required associated documents is verification the facility has notified the appropriate Regional Solid Waste Management District per Regulation 22.803(c).

The purpose of this letter is to inform the Boston Mountain Solid Waste District (BMSWD) that the Eco-Vista Compost Facility (EVCF) is currently an existing yard waste compost facility, and plans to continue operating as such a facility under the new ADEQ general permit. EVCF is in the process of completing and submitting the NOI and will submit a copy of this letter as a verification of notification to the BMSWD.

Please contact me with any questions or concerns. My phone number is 501-982-7336.

Sincerely,
Eco-Vista, LLC

David K. Conrad

David K. Conrad
Engineering Manager - Arkansas

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7012 1640 0000 4871 8502

Postage	$ $0.45	0120
Certified Fee	$2.95	10
Return Receipt Fee (Endorsement Required)	$2.35	Postmark Here
Restricted Delivery Fee (Endorsement Required)	$0.00	NOV 28 2012
Total Postage & Fees	$ $5.75	11/28/2012

Sent To Prince

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

ATTACHMENT 4
NOTICE OF INTENT (NOI)
YARD WASTE COMPOSTING FACILITY (TYPE Y)

Arkansas Department of Environmental Quality
Solid Waste Management Division
5301 Northshore Drive
North Little Rock, AR 72118
(501) 682-0587

NOTICE OF INTENT (NOI)
FOR COVERAGE UNDER THE GENERAL PERMIT
FOR THE CONSTRUCTION AND OPERATION OF

YARD WASTE COMPOSTING FACILITY (TYPE Y)
0000-SCYW

1. Legal Name of Applicant: **Eco-Vista, LLC**	2. Name of Facility: Eco-Vista Compost Facility
3. Applicant Legal Address (Mailing Address): 2210 Waste Management Drive	4. Facility Physical Location (Site Address): 1041 Arbor Acres Avenue
5. Applicant City, State, Zip: Springdale, Arkansas, 72762	6. Facility City, State, Zip, County: Springdale, Arkansas, 72762, Washington
7. Applicant Telephone Number: (479) 361-2069	8. Facility Telephone Number: (479) 361-2069
9. Responsible Official: Lee Tharp	10. Facility Contact Person: Blake Small
11. Title of Responsible Official: Senior District Manager	12. Facility Latitude and Longitude: Lat.: 36° 08' 23.97" Long.: 94° 15' 23.68"
13. Responsible Official Telephone: (479) 361-2069	14. Facility Section/Township/Range: Section 14; Township 17; Range 31

15. Classification - Check box if applicable [see 22.804(b)(1)]

0000-SCYW > 50 tons or 500 cu yds annually ■

Small facilities < 50 tons or 500 cu yds annually ☐ Stop.
Small facilities fill out the "Small Composting Site Notification Form" located in Part III of 0000-SCYW

16. Has the facility notified the appropriate Regional Solid Waste Management District? [see 22.803(c)]

■ Yes – Attach

☐ No – Explain ______________________________

17. Is the site currently permitted by the Department as a Solid Waste Yard Waste Compost Facility?

■ Yes - Permit Number : 0013-SCYW-MC

☐ No

Other ADEQ permits? Stormwater permitting is required.

■ Yes - Permit Number(s) : 0290-S1-R2; 0290-S4-R1; 1884-AOP-R2; ARG160045; ARR000231

☐ No - Explain: ______________________________

18. Location Restrictions and Siting Requirements Demonstration [see 22.803]

Does the applicant own or control the site?	■ Yes ☐ No
Is the applicant responsible for facility operation and maintenance?	■ Yes ☐ No
Is site located in the 100-year flood plain?	☐ Yes ■ No
Is site designed and operated to not restrict flow of base flood, reduce water storage capacity of flood plain, or result in washout of solid waste?	■ Yes ☐ No
Is the site located in a jurisdictional wetland?	☐ Yes ■ No
Has site obtained all necessary geographic site approval from government(s) of jurisdiction?	■ Yes ☐ No
Was the facility in existence prior to May 7, 1995?	■ Yes ☐ No
Are site active areas located within 50 feet of property boundary?	☐ Yes ■ No
Are site active areas located within 100 feet of a naturally occurring water body?	☐ Yes ■ No
Are site active areas located within 200 feet of an existing residence, place of business, or drinking water supply not owned or leased by the applicant.	☐ Yes ■ No

19. Additional Requirements

Site and ½ mile surrounding land use, zoning, and existing features map [see 22.804(b)(3)]	■Attached or SWMD Reference ID________
Map depicting wetlands and floodplains[see 22.804(b)(4)]	■Attached or SWMD Reference ID________
Site Plan [see 22.804(b)(5)]	■Attached or SWMD Reference ID________
Operating Narrative [see 22.804(b)(8)(i) and conform to 22.805]	■Attached or SWMD Reference ID________
Closure Plan [see 22.804(b)(9)]	■Attached or SWMD Reference ID________
Does the facility have design plans and operating specs [see 22.806]?	■ Yes ☐ No

20. Describe all waste or recovered material or otherwise all material accepted at the site? Include all material whether processed by composting or simply processed and stored for re-distribution or re-use.

_Yard waste and other vegetative materials such as grass clippings, leaves, and shredded or chipped brush, and______
_tree prunings.____

Are any industrial wastes or special materials proposed for acceptance? See Regulation 22.102 - Definitions.

☐ Yes – Explain

____

■ No industrial or special material.

21. Permit Fees - for existing facilities the current annual billing cycle will remain unchanged and there are no additional fees. Simply continue paying the $450 annual fee when it is billed by ADEQ.

New Facility – ☐ $900 initial fee is attached ■ existing

All facilities – Are all ADEQ invoices paid to date (for all permits or licenses)?

■ Yes

☐ No, explain____

22. Financial Assurance (FA) Requirement [22.810(c)]

Has a detailed closure cost estimate been completed? [22.810(b)] ☐ Yes ■ No

Does the closure cost estimate include the maximum permitted amount of waste and compost ever stored onsite at one time? ☐ Yes ■ No

Discuss basis for cost estimates, loading, hauling, disposal, other clean-up, or other removal of items or materials:

Please see attached Closure Plan

Cost Estimate Summary Form

[Alternate to a detailed closure cost estimate - complete line items below or attach detailed cost estimate certified by the Professional Engineer retained for this submittal]:

Description		**Quantity** (max. permitted tons)	**Third-Party Closure Cost** (transportation and disposal at Class 1 landfill or alternate means of disposal or outlet for re-use available to a third-party)
Yard waste stored onsite	=		$
Yard waste in composting process (incl. production and curing amounts)	=		$
Stored finished compost onsite	=		$
Unprocessed wood waste stored onsite	=		$
Processed wood waste stored onsite	=		$
Non-compostable material for recycling	=		$
Non-compostable waste residual materials for disposal	=		$
Other – Explain (attach supplement documentation, if needed)	=		$
Other – Explain (attach supplement documentation, if needed)	=		$
Other – Explain (attach supplement documentation, if needed)	=		$
Other – Explain (attach supplement documentation, if needed)	=		$
Other – Explain (attach supplement documentation, if needed)	=		$
TOTAL			**$**

Note: FA must be in a mechanism allowed by 22.1405. Financial Assurance is waived for State and Federal facilities only. Generally, no other waivers will be allowed without extensive and acceptable rationale which demonstrates an alternative means for coverage should the owner or operator become financially incapacitated. Previous waivers are not valid under this permit revision.

23. Disclosure Statement

In accordance with Ark. Code Ann. §8-1-106, a disclosure statement is required to be maintained on forms provided by ADEQ. Exemption to this requirement exists for federal, state, municipal, county, or solid waste management district-owned sites. The exemption does not extend to improvement district or other extensions of government that are not instituted by an act of the General Assembly. Publicly held companies which file reports under the Securities Exchange Act are not required to file ADEQ disclosure forms but they must submit the most recent report which provides information regarding the legal proceedings of the applicant.

ADEQ Disclosure/SEC report Attached	■
Exempt Federal, State, City, County, or RSWMD	☐
Other	☐ explain ______

Certification

To the best of my knowledge and belief, I certify the information provided in this Notice of Intent is true and accurate:

APPLICANT [22.301(h)]

Signature	Name and Title	Date
[signature]	LEE D. THARP Sr. District Manager	11-29-12

ENGINEER [22.301(i)]

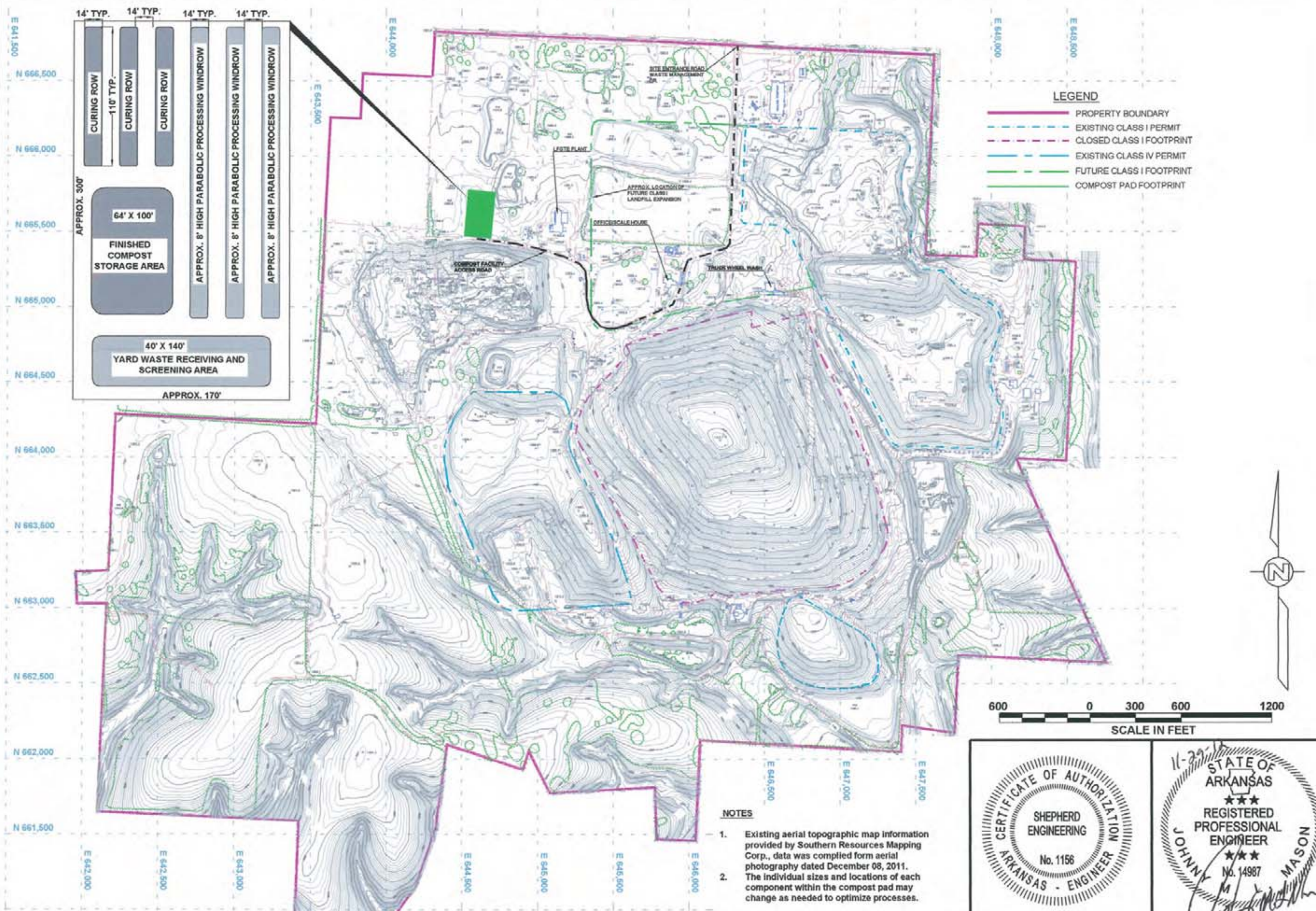
Signature and Seal	Name and Title	Date
[signature]	Johnny M.L. Mason	11-29-12

11-29-12

STATE OF ARKANSAS
★★★
LICENSED PROFESSIONAL ENGINEER
★★★
No. 14987
JOHNNY M.L. MASON

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS - ENGINEER

ATTACHMENT 5
SITE PLAN MAP



NOTES

1. Existing aerial topographic map information provided by Southern Resources Mapping Corp., data was complied form aerial photography dated December 08, 2011.
2. The individual sizes and locations of each component within the compost pad may change as needed to optimize processes.

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS - ENGINEER

11-29-12
STATE OF ARKANSAS
★★★
REGISTERED PROFESSIONAL ENGINEER
★★★
No. 14987
JOHN M. MASON

☐ CLIENT APPROVED:	
☐ CLIENT APPROVED AS NOTED:	

REVISIONS

NO.	DATE	DESCRIPTION

180 Industrial Circle East
Suite A
Springdale, AR 72762

DRN	BMB
DES	JMJM
CHK	JAS
APP	JAS

Phone: (479) 419-5910
Fax: (479) 419-5916

shepherd ENGINEERING
DESIGN COMPANY INCORPORATED

Eco Vista, LLC
2210 Waste Management Dr.
Springdale, AR 72762

WM WASTE MANAGEMENT

COMPOST FACILITY

SITE PLAN

DATE: NOVEMBER 2012
PROJECT NO.: 12069

ATTACHMENT 5

ATTACHMENT 6
OPERATING PLAN

WASTE MANAGEMENT

SITE OPERATING PLAN
ECO-VISTA COMPOST FACILITY
ECO-VISTA, LLC

Permit No.: 0013-SCYW-MC
AFIN No.: 72-00144

Updated November 2012

Prepared For:
Eco-Vista Compost Facility
Eco-Vista, LLC
2210 Waste Management Drive
Springdale, AR 72762

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS - ENGINEER

Prepared by:
Shepherd Engineering Design Co., Inc.
180 Industrial Circle East
Suite A
Springdale, AR 72762
SEDCo Project No.: 12069

11-29-12
STATE OF ARKANSAS
LICENSED PROFESSIONAL ENGINEER
No. 14987
JOHNNY M. L. MASON

shepherd ENGINEERING
DESIGN COMPANY INCORPORATED

TABLE OF CONTENTS

1.0 INTRODUCTION

1.1 Purpose

The purpose of this Operating Plan and Narrative is to detail the processes and procedures that allow Eco-Vista Compost Facility (EVCF) to be in compliance with Arkansas Department of Environmental Quality (ADEQ) Solid Waste Management General Permit conditions and Regulation 22.804(8)(i) and 22.805.

2.0 OPERATING NARRATIVE [22.804(8)(i)]

2.1 Description of Waste to be Received [22.804(8)(i)(A)]

EVCF only accepts materials designated as yard waste or other vegetative materials such as grass clippings, leaves, shredded or chipped brush, and tree prunings. The facility will not accept Type O and S waste as defined by ADEQ Regulation 22, nor any other un-approved materials.

The anticipated waste quantity will be approximately 650 cubic yards per month. This amount will fluctuate during the course of any year, as season collection of yard waste and green waste increases and decreases.

2.2 Descriptions of Person Responsible for Operation, Control and Maintenance of the Facility [22.804(8)(i)(B)]

EVCF is operated by Eco-Vista, LLC. All operations are performed or supervised by a licensed on-site operator and/or Site Manager who has been certified in accordance with Regulation 27 during all hours of operation. Operations and maintenance of the facility will be conducted during normal landfill operating hours and access to the compost facility is prohibited during non-operating hours. The on-site operator and/or Site Manager have the authority and responsibility to reject unauthorized loads. It will be the responsibility of the generator to remove any unauthorized materials and dispose of the materials in accordance with Regulation 22, the facility Hazardous Waste Exclusion Plan (WEP), and solid was disposal permit.

2.3 Methods for Controlling the Types of Waste Received [22.804(8)(i)(C)]

Incoming waste for the composting facility will enter Eco-Vista Landfill's main gate and be processed through the landfill scale entrance area. The scale house attendant will perform a visual inspection to ensure that unpermitted wastes are not comingled with acceptable yard waste and then it is weighed. The pre-acceptance procedure is the process by which a decision is made, based on the visual inspection, to reject or accept a material prior to off-loading the waste at the compost facility. Pre-acceptance procedures will follow facility's most recent Hazardous Waste Exclusion Plan (WEP) approved by ADEQ.

2.4 Methods of Removing and Recovering Non-compostable Materials for Recycling or Disposal including the Removal, Storage, and Disposal of any Hazardous Waste [22.804(8)(i)(D)]

Any non-compostable materials found during the initial inspection at the scale house or while being off-loaded at the compost pad will be removed from the yard waste by facility personnel using on-site equipment, if needed. After a material is identified as non-compostable and removed, the material is evaluated to determine recyclability. Materials that are not recyclable, not compostable, and meet the definition of a non-hazardous waste will be disposed of either in Eco-Vista Class 1 or Class 4 Landfill. If it is determined that the material is a hazardous waste, the facility will follow EVLF Hazardous Waste Exclusion Plan.

2.5 Methods to Minimize, Manage and Monitor Odors [22.804(8)(i)(E)]

Odors are minimized by preventing anaerobic conditions during the composting process. The waste materials will be processed and placed in windrows or piles in a timely manner. Windrows or piles are then turned as needed to aerate the composting material. Windrows or piles are periodically inspected to insure proper aeration and temperature. Furthermore, this site is located away from residential areas such that any odors should not be a nuisance.

2.6 Runoff and NPDES Storm Water Control Measures [22.804(8)(i)(F)]

Any surface water run-off from the compost operations is routed to EVLF's stormwater collection pond. All drainage from this pond flows to an NPDES-designated discharge point. In the event of a discharge from the NPDES, samples are taken and tested in accordance with the facility's NPDES permit (ARR000231).

2.7 Description of the Compost Method to be Utilized [22.804(8)(i)(G)]

The EVCF is located in the northwestern section of Eco-Vista Landfill site, west of the current active Class 1 Landfill. The operation of the compost facility follows acceptable methods of composting which result in the aerobic biochemical degradation of the organic material received.

The composting process consists of following steps:

Preliminary Processing: Compost materials received at EVCF will be off-loaded onto the compost pad in the designated receiving area and debagged, if necessary. If the material is too bulky for composting (i.e., tree trunks, large tree limbs) it is removed and either disposed of in the Class 1 or Class 4 Landfill.

Active Composting (8 - 10 weeks): The active compost process begins by placing the yard waste into rows called windrows. The heights and widths of these rows may vary but typically the rows will be 10-15 feet wide by 5-8 feet in height and are constructed using on-site equipment such as a dozer, front-end loader, and excavator. The four basic needs for creating and maintaining a good composting environment include:

- Oxygen – Composting is an aerobic process and oxygen is provided in two ways: (1) by turning the compost with a front-end loader; and (2) by building the pile correctly, so that the surface air can diffuse into the center.

  Oxygen Monitoring: EVCF will check oxygen content of the windrows by smell. When moisture content samples are taken for a “squeeze” test, EVCF personnel will check the odor of the sample to see if anaerobic odors can be detected. If they are detected, that windrow will be turned promptly to dissipate the anaerobic odors and to re-introduce oxygen to the windrow.

- Water – Active microorganism need a moist environment; ideally, moisture content should be between 40 and 60 percent. Water will be added as needed while the windrow is turned, utilizing the water truck.

  Squeeze Test: The squeeze moisture test will be used to determine the moisture level of the composting material. For sampling, EVCF personnel will grab material from the interior of the pile and the results will be interpreted as follows. A handful of material should feel damp, not dripping wet. If a handful drips without squeezing, it is too wet. If the material appears dry and crumbles after squeezing, it is too dry. If the material retains its clumped shape after squeezing without releasing excess water and dampens you hand, then it is just right for composting. With experience, the squeeze moisture test can be a reliable moisture management tool.

- Food – Appropriate carbon-to-nitrogen (C:N) ratios (i.e., 20:1 to 40:1) for the microbial system by combining different yard waste such as leaves and grass clippings.

  Mixture Ratio: EVCF will generally mix at least one part grass to a minimum of three parts leaves or chips. The mixture will vary as experience grows with materials being composted.

- Temperature – The interior temperature of the windrow is monitored to insure the interior temperature is between 90 and 140 degree Fahrenheit. If the temperature exceeds 140 degrees Fahrenheit then the windrow will be turned, reducing the risk of both killing microorganisms and/or spontaneous combustion. Monitor and turn the windrows when appropriate until the interior temperature drops below 70 degrees Fahrenheit and does not increase after three consecutive turnings, indicating the composting process is complete.

  Temperature Monitoring: EVCF will periodically check temperatures in the composting windrow using a dial thermometer or a digital readout with a probe at 3-foot depths and random locations. Temperatures will be checked at the same location in the windrow and logged in compost monitoring record (Appendix A). As a general rule, windrows should be turned at temperatures above 140 degree Fahrenheit or if the temperature drops without cause.

Curing (11 – 13 weeks): As the composting process slows and temperatures drop, windrows will be combined into a large curing pile or windrow. The curing process provides maturity and additional stabilization to compost.

Storing: Storage is the last step in the compost process. Stored, stable compost can be piled higher than either active or curing compost. The height and width of stored compost piles are generally determined by the reach of the available loader. However, stored pile size will not be above 12 feet in height, due to increased risk of spontaneous combustion. The finished compost's moisture content will be maintained, to reduce and/or eliminate dusty conditions in the storage area.

2.8 Plans for Marketing or Distribution of the Finished Compost [22.804(8)(i)(H)]

At this time, the finished compost from EVCF can be used for on-site and off-site purposes. For on-site purposes, finished compost can be used to enhance vegetative growth and limit erosion on slopes. It is anticipated that finished compost can be made available to off-site users on limited basis.

3.0 OPERATIONAL REQUIREMENTS [22.805]

3.1 Common Requirements [22.805(a)]

- The facility will be operated to reduce impacts from vectors, dust and litter. The surrounding area will be kept cleaned and cleared to reduce habitat areas for vectors. The site has access to a water truck to reduce dust. In the event that litter becomes a concern, mobile litter control panels can be directed to catch wind-blown litter. The use of mobile litter fencing allows for changes in wind direction.
- As described in the previous section, the operation of the compost facility will follow acceptable methods of composting, which result in the aerobic biochemical degradation of the organic material received.
- The composting operation will be performed by a licensed on-site operator (certified in accordance with Regulation 27) during all hours of operation; access to the compost facility shall be prohibited during non-operating hours.

3.2 Type Y Operating Requirements [22.805(b)]

3.2.1 Recordkeeping and Reporting [22.808(a)]

The EVCF keeps and retains records of operation which are available for inspection by the ADEQ. Records include at a minimum:

- Monitoring results of stormwater runoff and/or site discharge. Currently, the compost facility is covered by Eco-Vista Class 1 Landfill's NPDES permit (ARG160045). In the event the landfill ceases to operate under an NPDES permit, the compost facility will obtain the necessary NPDES permit(s);
- This General Permit, all approved NOI submittal documents for this General Permit, design drawings, operating plan and narrative including closure plan, modifications, annual reports, and Department correspondence;
- Facility operating records as required by Reg. 22.804(b)(1);
- Quantity, type and source of incoming waste on a monthly basis;
- Quantity, of compost sold or distributed on a monthly basis;
- Quantity of residue removed for disposal, and the date and location of disposal;
- Any testing data including sampling information, chain-of-custody, and sample

results that may be taken of compost products generated at the site; and

- Any other records required by Regulation 22.

3.2.2 Annual Reports [22.808(c)]

EVCF submits an annual report to the ADEQ by March 31 of each year. The Annual Report summarizes the results of Reg. 22808(a) and covers a reporting period from January through December of the previous year.

4.0 CONTINGENCY PLANS

4.1 Equipment Breakdown

In the case of equipment breakdowns or failures, EVCF will immediately make equipment repairs. If it is a prolonged breakdown, back-up equipment will be borrowed or rented as necessary to prevent ceasing of composting operations.

4.2 Dust Control

Dust control at the EVCF will be maintained by use of a water truck. EVCF will minimize dusting during extremely dry periods by making sure the moisture content of windrows are within an acceptable range before turning windrows. In addition, the water truck will be used to spray water on the access roads and around the working area as per operating procedures at the Landfill.

4.3 Fire Management

Fires are a potential problem for all compost facilities. All facility personnel are trained and certified in accordance with Regulation 27. Fire extinguishers are proved at key locations at the Landfill, in equipment, and vehicles. Instructions for their use are attached to the extinguisher. If the fire cannot be controlled through the use of fire extinguishers then the water truck should be used. In the event the fire cannot be controlled by on-site means, the Tontitown Fire Department is under agreement to respond to a fire call as soon as possible.

APPENDIX A
Compost Monitoring Record

Compost Monitoring Record

Windrow, Pile, or Cell Number____

Date Constructed ____

Ingredients and Comments ____

____

____

Date	Time	Odor Rating	Distance from End of Pile			
			Temperature (°F)		Moisture (%)	
			Temperature	Feet	Dry/Good/Wet	Feet

Recorded by Windrow, Pile or Cell

ATTACHMENT 7
DESIGN PLAN

WASTE MANAGEMENT

DESIGN PLAN
ECO-VISTA COMPOST FACILITY
ECO-VISTA, LLC

Permit No.: 0013-SCYW-MC
AFIN No.: 72-00144

Updated November 2012

Prepared For:
Eco-Vista Compost Facility
Eco-Vista, LLC
2210 Waste Management Drive
Springdale, AR 72762

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
No. 1156
ARKANSAS - ENGINEER

Prepared by:
Shepherd Engineering Design Co., Inc.
180 Industrial Circle East
Suite A
Springdale, AR 72762
SEDCo Project No.: 12069

11-29-12
STATE OF ARKANSAS
LICENSED PROFESSIONAL ENGINEER
No. 14987
JOHNNY M. L. MASON

shepherd ENGINEERING
DESIGN COMPANY INCORPORATED

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FIGURES

1.0 INTRODUCTION

1.1 Purpose

The purpose of the Design Plan is to ensure that Eco-Vista Compost Facility (EVCF) is in compliance with Arkansas Department of Environmental Quality (ADEQ) Solid Waste Management General Permit conditions and Regulation 22.806.

2.0 DESIGN REQUIREMENTS [22.806]

2.1 General Schematic [22.806(a)(1)]

The composting process at EVCF consists of the steps shown in **Figure 1**. A general schematic of the receiving, processing, production, curing and storage areas are illustrated in **Figure 2**. However, the location and size of individual areas may change within the compost pad area to accommodate the fluctuating volumes of material received.

2.2 Surface of Composting Pad [22.806(a)(2)]

The base of the composting pad will be a surface constructed with on-site material. It has been designed to be one-foot thick such that it will be able to withstand heavy operating equipment. In addition, the pad will be sloped to prevent ponding.

2.3 Stormwater Management [22.806(a)(3)]

The facility is designed, graded and operated so that stormwater will not run-on or into the receiving, processing, curing, or storage areas. Any surface water run-off from the compost operations is routed to EVLF's stormwater collection pond. All drainage from this pond flows to an NPDES-designated discharge point. In the event of a discharge from the NPDES, samples are taken and tested in accordance with the facility's NPDES permit (ARR000231).

2.4 Site Access and Security Measures [22.806(a)(4)]

The property boundary of the Eco-Vista Class 1 Landfill (EVLF) Facility is fenced and access to the compost site is controlled through the EVLF facility. After posted hours, EVLF facility's main gate is closed and locked. All the access roads to the composting site are all-weather. Signs inside the facility show the drivers to the composting site. During working hours, all the loads pass through the scale house, where loads are inspected, weighed, and directed to the composting pad.

2.5 Methods to Odor, Noise, Dust, Vector, and Litter Control [22.806(a)(5)]

- Odors are minimized by preventing anaerobic conditions during the composting process. The waste materials will be processed and placed in windrows or piles in a timely manner. Windrows or piles are then turned as needed to aerate the composting material. Windrows or piles are periodically inspected to ensure proper aeration, temperature, and moisture content. Furthermore, this site is located away from residential areas such that any odors should not be a nuisance.

- The equipment utilized during the compost process produces low levels of noise. In addition, the site is located inside the Eco-Vista Class 1 Landfill complex, which is located away from residential areas.

- Dust is controlled by keeping the composting material moist and the water truck will be used to spray water on the access roads and around the working areas.

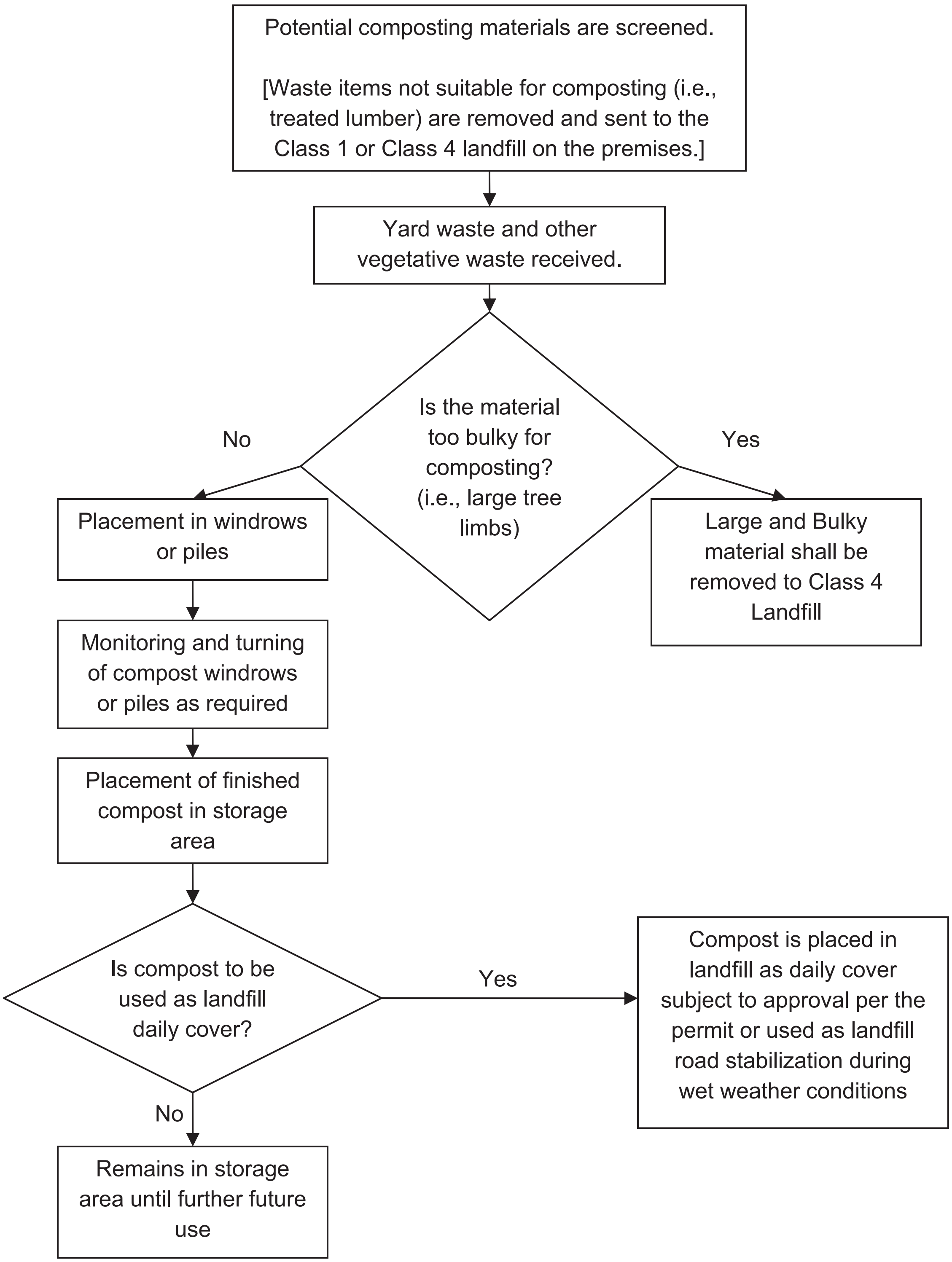
- Yard waste material does not attract vectors.

- Litter is controlled by mobile litter control panels, which can be placed to catch windblown litter. Litter retained on the fence is periodically removed and disposed at the Eco-Vista Class 1 Landfill.

2.6 Capacity and Storage [22.806(a)(6)]

EVCF is designed with adequate capacity to handle incoming waste and the storage of 6 months production of finished compost. In the event that additional area is needed, the Eco-Vista Class 1 Landfill Facility has sufficient land available.

Figure 1: Flow Diagram of the Proposed Processing Steps



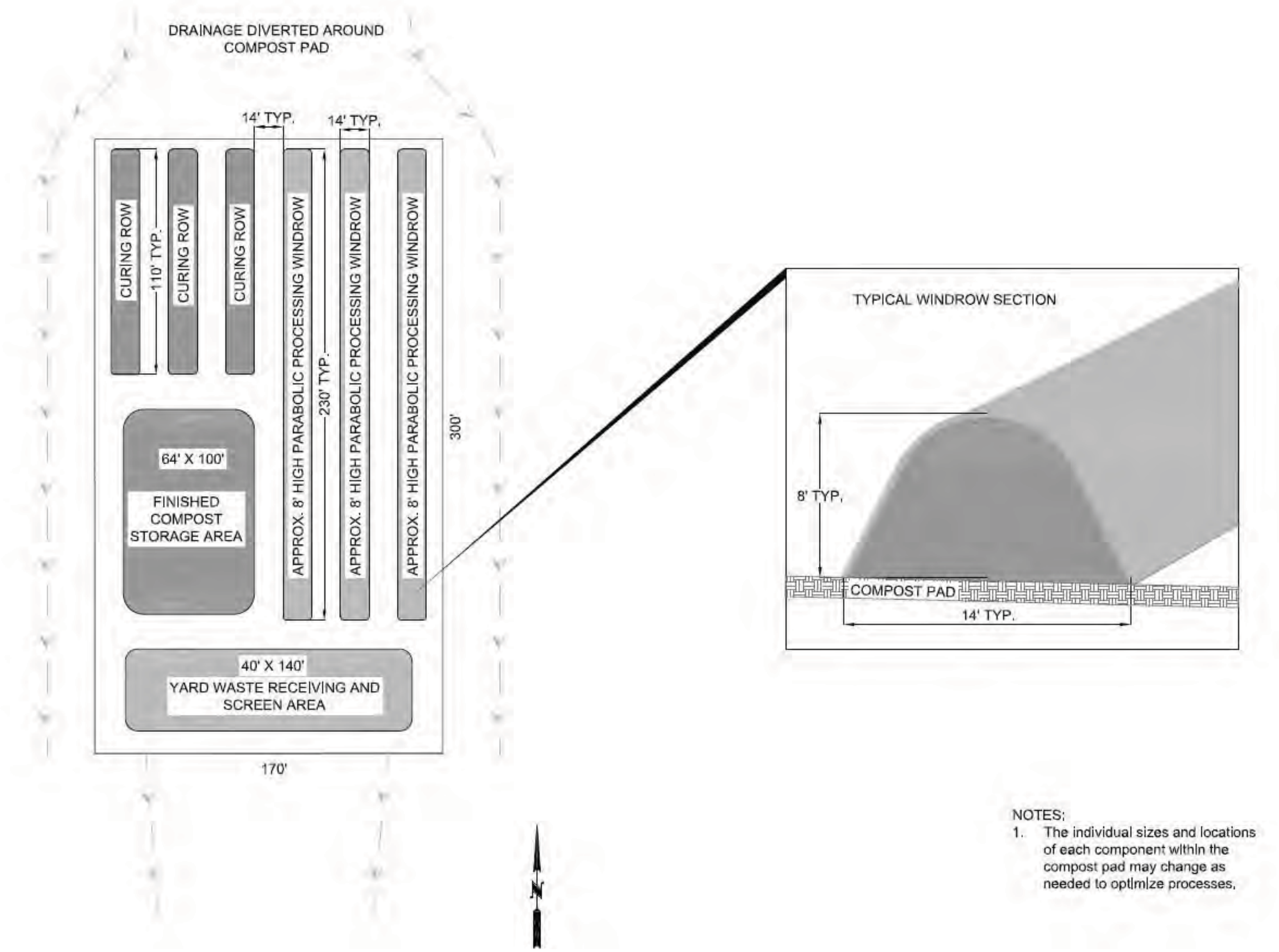


Figure 2: Site Schematic Plan

ATTACHMENT 8
CLOSURE PLAN AND FINANCIAL ASSURANCE

WASTE MANAGEMENT

CLOSURE PLAN & FINANCIAL ASSURANCE
ECO-VISTA COMPOST FACILITY
ECO-VISTA, LLC

Permit No.: 0013-SCYW-MC
AFIN No.: 72-00144

Updated November 2012

Prepared For:
Eco-Vista Compost Facility
Eco-Vista, LLC
2210 Waste Management Drive
Springdale, AR 72762

CERTIFICATE OF AUTHORIZATION
SHEPHERD ENGINEERING
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ARKANSAS - ENGINEER

Prepared by:
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11-29-12
STATE OF ARKANSAS
LICENSED PROFESSIONAL ENGINEER
No. 14987
JOHNNY M.L. MASON

shepherd ENGINEERING
DESIGN COMPANY INCORPORATED

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1.0 INTRODUCTION

1.1 Purpose

The purpose of the Closure Plan is to ensure that Eco-Vista Compost Facility (EVCF) is in compliance with Arkansas Department of Environmental Quality (ADEQ) Solid Waste Management General Permit conditions and Regulation 22.804(b)(9) and 22.810.

2.0 CLOSURE PLAN [22.804(b)(9) and 22.810(b)]

The Closure Plan contains a schedule and description of the steps necessary to close the facility. Included in this plan is a detailed estimate of the cost required for a third party to perform the closure activities.

Regulation 22 requires the use of 150% of this maximum permitted amount of waste for closure calculations; therefore closure estimates are based on this capacity. In the event the facility is suddenly closed, it is estimated that approximately 6 months of waste material will need to be finished processing and another month of material will require the complete process. As per Regulation 22, an independent third party will process the above material, remove all the finished compost and clean the facility. The required steps to close the compost facility are as follows:

1. A third party will remove and transport all finished compost from the compost facility to specified locations within Eco-Vista Class 1 Landfill Facility. This task will take approximately two days.

2. A third party will remove and transport any non-compostable residuals from the compost site to the Eco-Vista Class 1 or Class 4 landfill. This process will take approximately one day.

3. The third party will mobilize equipment and process, in accordance with the approved Operating Plan, all active/existing material onsite until there is a finished compost product. The task will take no more than 6 months.

4. During the processing time, the third party will mobilize to the site every two weeks to perform turning operations, and transport any finished compost from the compost facility to specified locations within Eco-Vista Class 1 Landfill Facility.

5. After all processes are complete, the third party will remove the composting equipment and clean the site. This task will take 2 days.

2.1 Periodic Updates [22.804(b)(i)(A) and 22.810(b)(1)]

EVCF will periodically update the Closure Plan as determined by the ADEQ.

2.2 Closure Notification [22.804(b)(i)(B) and 22.810(b)(2)]

EVCF will notify the ADEQ in writing 60 days prior to the proposed termination date of the compositing facility.

2.3 Removal and Disposal [22.804(b)(9)(i)(C) and 22.810(b)(3)]

Within 10 days of ceasing operations, all residuals, waste, etc. shall be removed from the site and disposed. All closure activities will be completed no later than 45 days after the termination date of the facility.

3.0 FINANCIAL ASSURANCE [22.810]

3.1 Financial Assurance Requirements [22.810(c)]

The posted financial assurance will be in accordance with the requirements of this regulation. The amount of financial assurance is determined by the Director based upon:

- The size of the facility and the risk of environmental contamination; and
- 150% of the maximum permitted amount of all solid waste and compost ever stored on the site at one time that can be transported and disposed of by landfilling into a permitted Class 1 landfill by a third party.

3.2 Use of Financial Assurance Funds [22.810(d)]

Financial assurance funds may be used, as determined by the Director, for any reasonable purpose to remediate any environmental, health, and safety hazards at EVCF should Eco-Vista, LLC become unable or unwilling to fulfill the permit obligations of this Regulation.

3.3 Financial Assurance [22.810(e)]

EVCF will post financial assurance using an acceptable financial assurance mechanism from those listed in Regulation 22.1405 and will maintain the financial assurance until site closure has been conducted in accordance with the approved Closure Plan required in Regulation 22.810.

EVCF has requested a waiver from Financial Assurance documentation by demonstrating an alternative means of coverage (see **Appendix A**). Since, EVCF is located at the Eco-Vista Class 1 Landfill and should there ever be an issue with residual waste, the volume can easily be transferred to the active landfill where there is full financial assurance.

APPENDIX A
Financial Assurance Waiver Request

From:	Conrad, David
To:	Leamons, Bryan; Matoska, Maria
Cc:	Johnny M. Mason; Jeff A. Shepherd; Tharp, Lee
Subject:	Eco-Vista Composting Facility - Financial Assurance Waiver
Date:	Wednesday, November 28, 2012 11:41:09 AM
Attachments:	EV Compost FA Waiver Request 2012.pdf

Dear Bryan and Maria,

Please see the attached request for a Financial Assurance waiver for the Eco-Vista Composting Facility. A copy of this letter will be included in the Composting NOI tomorrow or Friday. Thanks.

Dave

David K. Conrad

Waste Management
Market Area Engineering Manager - Arkansas
Arkansas Tennessee Alabama Kentucky Market Area
Two Pine Landfill
100 Two Pine Drive
North Little Rock, AR 72117
(501) 982-7336 (Office)
(501) 804-0806 (Cell)
(501) 982-2606 (Fax)
dconrad@wm.com

Eco-Vista, LLC
Eco-Vista Landfill
1041 Arbor Acres Avenue
Springdale, Arkansas 72762

November 28, 2012

Mr. Bryan Leamons, PE
Solid Waste Engineering Supervisor
Arkansas Department of Environmental Quality
5301 Northshore Drive
North Little Rock, Arkansas 72118-5317

Subject: **Financial Assurance Waiver Request**
Eco-Vista Composting Facility
Eco-Vista Landfill
Composting Facility AFIN: 72-00144, Permits No: 0013-SCYW-MC

Dear Mr. Leamons:

The Eco-Vista Compost Facility has previously had a waiver from the requirements for financial assurance in accordance with *Chapter Eight-Composting Facilities* (Reg. 22.810) of Regulation 22. In determining whether financial assurance documentation is required, *Regulation 22.810-Financial Assurance* states that the ADEQ will consider: 1) the facility size and risk of contamination, and 2) the risk of the owner/operator becoming financially incapacitated to where the amount of solid waste and recoverable material (150% of the maximum permitted amount) ever stored onsite can be transported and disposed of in a Class 1 landfill. There has been no change to the status of the permitted facility. All permit fees have been paid to date, and all compliance inspections are satisfactory for the facility. The risk of environmental contamination is considered remote from the facility. The Compost Facility is located at the Eco-Vista Landfill (Permit No. 0290-S1-R2) so should there ever be an issue with residual waste, the volume can easily be transferred to the active landfill where there is full financial assurance.

For these reasons, we request that a re-determination be made that site-specific financial assurance documentation for the Eco-Vista Composting Facility not be required.

If you should require any additional information, or if there are any questions about this, please feel free to contact me at (501) 982-7336.

Sincerely,
Eco-Vista Landfill

David K. Conrad

David K. Conrad
Engineering Manager - Arkansas

ATTACHMENT 9
DISCLOSURE STATEMENT

WASTE MANAGEMENT INC (WM)

10-K
Annual report pursuant to section 13 and 15(d)
Filed on 02/16/2012
Filed Period 12/31/2011

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, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-12154

Waste Management, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**73-1309529**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1001 Fannin Street, Suite 4000 Houston, Texas	**77002**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code:

(713) 512-6200

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange

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 ☐ (Do not check if a smaller reporting company) 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, 2011 was approximately $17.6 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 10, 2012 was 461,374,381 (excluding treasury shares of 168,908,080).

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated as to
Proxy Statement for the 2012 Annual Meeting of Stockholders	Part III

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PART I

Item 1. *Business.*

General

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. Our subsidiaries provide collection, transfer, recycling, and disposal services. We are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. Our customers include residential, commercial, industrial and municipal customers throughout North America. During 2011, our largest customer represented approximately 1% of annual revenues. We employed approximately 44,300 people as of December 31, 2011.

Through our core waste management services, we own or operate 271 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 287 transfer stations that consolidate, compact and transport waste efficiently and economically. We also use waste to create energy. One method we use involves recovering the gas produced naturally as waste decomposes in landfills for use in the generation of electricity. We also use waste to create energy through a highly efficient combustion process. Our waste-to-energy subsidiary, Wheelabrator Technologies Inc., operates 22 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. Through our recycling operations, we provide cost-efficient, environmentally sound 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 confront 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.

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 common stock repurchases and dividend payments. In December 2011, we announced that our Board of Directors expects that quarterly dividend payments will be increased to $0.355 per share in 2012, which is a 4.4% increase from the quarterly dividend we paid in 2011. This will result in an increase in the amount of free cash flow that we expect to pay out as dividends for the ninth 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

We manage and evaluate our principal operations through five Groups. Our four geographic operating Groups, comprised of our Eastern, Midwest, Southern and Western Groups, provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services. Our fifth Group is the Wheelabrator Group, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants, or IPPs. We also provide additional services that are not managed through our five Groups, as described below. These operations are presented in this report as "Other."

The table below shows the total revenues (in millions) contributed annually by each of our Groups, or reportable segments, in the three-year period ended December 31, 2011. More information about our results of operations by reportable segment 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,		
	2011	2010	2009
Eastern	$ 3,115	$ 2,943	$ 2,960
Midwest	3,213	3,048	2,855
Southern	3,390	3,461	3,328
Western	3,282	3,173	3,125
Wheelabrator	877	889	841
Other	1,532	963	628
Intercompany	(2,031)	(1,962)	(1,946)
Total	$ 13,378	$ 12,515	$ 11,791

The services we provide include collection, landfill (solid and hazardous waste landfills), transfer, waste-to-energy facilities and independent power production plants, recycling 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,		
	2011	2010	2009
Collection	$ 8,406	$ 8,247	$ 7,980
Landfill	2,611	2,540	2,547
Transfer	1,280	1,318	1,383
Wheelabrator	877	889	841
Recycling	1,580	1,169	741
Other	655	314	245
Intercompany	(2,031)	(1,962)	(1,946)
Total	$ 13,378	$ 12,515	$ 11,791

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 five 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, 2011, we owned or operated 266 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 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, 2011, we owned or operated 287 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, 2011, our WM Healthcare Solutions subsidiary (discussed below) also had 21 smaller transfer operations (separate from its ten 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, 2011, 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.

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, 2011, our waste-to-energy facilities were capable of processing up to 22,300 tons of solid waste each day. In 2011, our waste-to-energy facilities received and processed 8 million tons of solid waste, or approximately 22,000 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 2010 and 2009, 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. The next long-term contract will expire in March 2012. We use short-term "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 2010, we made two investments which increased the total assets of our Wheelabrator Group 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 Chengtou Holding Co., Ltd. As a joint venture partner in SEG, we will participate in the operation and management of waste-to-energy and other waste services in the Chinese market. SEG will also focus on building new waste-to-energy facilities in China. As of December 31, 2011, SEG owned and operated two waste-to-energy facilities, five landfills and five transfer stations. An additional five waste-to-energy facilities were under construction. Our share of SEG's earnings are included in "Equity in net losses in 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. Additionally, Wheelabrator is actively pursuing development projects with industry partners and pursuing other opportunities to provide waste-to-energy services in the United Kingdom.

Recycling. Our recycling operations provide communities and industries 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 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 107 MRFs where paper, cardboard, metals, plastics, glass, construction and demolition materials and other recyclable commodities are recovered for resale. We also operate 13 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 not managed within our Groups 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.

WM Sustainability Services provides a variety of sustainability services to businesses and organizations. This includes in-plant services, where our employees work full-time inside our customers' facilities to provide full-service waste management solutions and consulting services. 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 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 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, 2011, landfill gas beneficial use projects were producing commercial quantities of methane gas at 131 of our solid waste landfills. At 102 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 18 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 ten 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. On July 28, 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 national accounts customer base and enhanced our ability to provide comprehensive environmental solutions.

Our WM Healthcare Solutions subsidiary offers 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 also have begun investing 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 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 geographic 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 core 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.

Seasonal Trends

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 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 Southern Group, can actually increase our revenues in the areas affected. While weather-related and other "one-time" occurrences can boost revenues through additional work, 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, 2011, we had approximately 44,300 full-time employees, of which approximately 8,300 were employed in administrative and sales positions and the balance in operations. Approximately 9,200 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 obtaining or retaining disposal site or transfer station operating permits. Various forms of financial assurance are also required to support variable-rate tax-exempt debt and by regulatory agencies for estimated final capping, closure, post-closure and environmental remedial obligations at many of our landfills.

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, 2011:

Surety bonds:		
Issued by consolidated subsidiary(a)	$ 215	
Issued by affiliated entity(b)	1,003	
Issued by third-party surety companies	1,734	
Total surety bonds		$ 2,952
Letters of credit:		
Revolving credit facility(c)	1,012	
Letter of credit facilities(d)	502	
Other lines of credit	251	
Total letters of credit		1,765
Insurance policies:		
Issued by consolidated subsidiary(a)	1,057	
Issued by affiliated entity(b)	24	
Issued by third-party insurance companies	182	
Total insurance policies		1,263
Funded trust and escrow accounts(e)		137
Financial guarantees(f)		252
Total financial assurance(g)		$ 6,369

(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, 2011, we had $150 million of outstanding borrowings and $1,012 million of letters of credit issued and supported by the facility. The unused and available credit capacity of the facility was $838 million as of December 31, 2011.

(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, 2011, no borrowings were outstanding under these letter of credit facilities and we had $3 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 ongoing 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.

(f) WM provides financial guarantees on behalf of its subsidiaries to municipalities, customers and regulatory authorities. They are provided primarily to support our performance of landfill final capping, closure and post-closure activities.

(g) The amount of financial assurance required can, and generally will, differ from the obligation determined and recorded under accounting principles generally accepted in the U.S.

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.

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 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, 2011, our general liability insurance program 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, 2011, 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, 2011 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 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, 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.

The EPA has issued new 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. 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 131 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."

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 is currently considering amendments to these rules. In addition, there is litigation surrounding the rules and there is proposed legislation seeking to delay implementation and revise the requirements. Some of the potential regulatory outcomes 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, as well as some of our landfill gas to energy and biomass to energy projects. It is not possible to quantify the financial impact of these rulemakings, which are being reconsidered at this time. However, we do not believe the rules 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. 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. In addition, 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. 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 or the adoption of legislation affecting interstate transportation of waste at the state level could adversely affect our operations. Courts' interpretation of flow control legislation or the Supreme Court decisions also 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.

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 2012 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;
- Grow our customer loyalty;
- Grow into new markets by investing in greener technologies; and
- Pursue initiatives that improve our operations and cost structure.

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 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 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 and/or 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.

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. 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 or the adoption of legislation affecting interstate transportation of waste at the state level could adversely affect our operations. Courts' interpretation of flow control legislation or the Supreme Court decisions also 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 experienced in 2009, or positively, as we experienced in 2010 and 2011. 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 2009 for commodities resulted in a year-over-year decrease in revenue of $447 million compared with 2008. Increases in the prices of recycling commodities resulted in year-over-year increases in revenue of $423 million and $216 million in 2010 and 2011, respectively. Market prices for recyclable commodities have increased significantly from the near-historic lows experienced in late 2008 and early 2009. Overall commodity prices have increased year-over-year approximately 57% and 18% in 2010 and 2011, respectively. Despite the recent positive trend in commodity prices, 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 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, 2011, 2010 and 2009, approximately 54%, 47% and 46%, 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. These swaps are generally short-term in nature. 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.

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 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 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 though 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.

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. 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 and our ability to implement our pricing strategy. 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, 2011, we had $611 million of tax-exempt bonds that are subject to re-pricing on either a daily or a weekly basis through a remarketing process and $305 million of tax-exempt bonds with term interest rate periods that are subject to re-pricing within the next twelve months. If the weakness in the municipal debt market results in re-pricing 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 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. We have seen average quarterly fuel prices increase by as much as 33% on a year-over-year basis and decrease by as much as 47% on a year-over-year basis within the last three years. 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 a pending litigation that pertains to our fuel and environmental charge and generally alleges that such charges were not properly disclosed, were unfair, and were contrary to contract. 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 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. 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 $26 million in 2010 and $9 million in 2009. We are still negotiating and litigating final resolutions of our withdrawal liability for these previous withdrawals, which could be materially 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.

Provision of 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 were unable to meet their obligations, or our own obligations for claims were more than we estimated, there could be a material adverse effect to our financial results.

In addition, to fulfill our financial assurance obligations with respect to 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. 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 generally accepted accounting principles, 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 or 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, dividend declarations or share repurchases. 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 $2.2 billion of debt as of December 31, 2011 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. Therefore, increases in interest rates can increase our interest expenses which also would lower our net income and decrease our cash flow.

We may use our five-year, $2.0 billion revolving credit facility to meet our cash needs, to the extent available. As of December 31, 2011, we had $150 million of borrowings and $1,012 million of letters of credit issued and supported by the facility, leaving an unused and available credit capacity of $838 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.

The adoption of climate change legislation or regulations restricting emissions of "greenhouse gases" could increase our costs to operate.

Efforts to curtail the emission of GHGs, to ameliorate the effect of climate change, continue to advance on the federal, regional, and state level. Our landfill operations emit methane, identified as a GHG. In the 111th Congress, the U.S. House of Representatives passed a bill that would regulate GHGs comprehensively. While the centerpiece of that bill would be a GHG emission allowance cap-and-trade system, neither landfills nor qualifying waste-to-energy plants would be compelled to hold allowances for their GHG emissions. Rather, they would be subject to certain further emission controls to be determined through administrative rule-making. Should comprehensive federal climate change legislation be enacted, we expect it to impose costs on our operations, the materiality of which we cannot predict.

Absent comprehensive federal legislation to control GHG emissions, the EPA is moving ahead administratively under its existing Clean Air Act authority. In 2010, the EPA published a Prevention of Significant Deterioration ("PSD") and Title V Greenhouse Gas Tailoring Rule ("PSD tailoring rule"). The rule sets new thresholds for GHG emissions that define when Clean Air Act permits are required under the PSD and Title V programs. The EPA's legal authority to "tailor" statutory thresholds in this rule has been challenged, and the EPA has delayed regulation of certain emissions pending further regulatory analysis. We cannot predict the final requirements of stationary source rules that might apply to landfills and waste-to-energy facilities as a result of this rulemaking and, accordingly, further developments in this area could have a material 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 Southern Group, can actually increase our revenues in the areas affected. While weather-related and other "one-time" occurrences can boost revenues through additional work, as a result of significant start-up costs and other factors, such revenue sometimes generates earnings at comparatively lower margins. During 2010, our financial results included revenue generated as a result of clean-up efforts in connection with the oil spill along the Gulf Coast and the substantial flooding in Tennessee; however, these special projects have a limited time span.

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.

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 in 2020. Our Group offices are in Pennsylvania, Illinois, Georgia, Arizona and New Hampshire. We also have field-based administrative offices in Arizona, Illinois, Texas and Connecticut. We own or lease real property in most locations where we have operations. We have operations in each of the fifty states, other than 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 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:

	2011	2010
Landfills:		
Owned	211	210
Operated through lease agreements	25	26
Operated through contractual agreements	35	35
	271	271
Transfer stations	287	286
Material recovery facilities	107	98
Secondary processing facilities	13	12
Waste-to-energy facilities	17	17
Independent power production plants	5	5

The following table provides certain information by Group regarding the 236 landfills owned or operated through lease agreements and a count, by Group, of landfills operated through contractual agreements, transfer stations and material recovery facilities as of December 31, 2011:

	Landfills Owned or Operated Through Lease Agreements				Landfills Operating Through Contractual Agreements	Transfer Stations	Material Reco ery Facilities
	Landfills	Total Acreage(a)	Permitted Acreage(b)	Expansion Acreage(c)			
Eastern	37	28,509	6,047	345	9	57	27
Midwest	74	33,829	9,692	1,102	9	98	23
Southern	80	39,622	13,078	136	10	72	20
Western	41	41,870	8,531	725	7	57	37
Wheelabrator	4	781	341	—	—	3	—
	236	144,611	37,689	2,308	35	287	107

(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 *Litigation* section 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.***

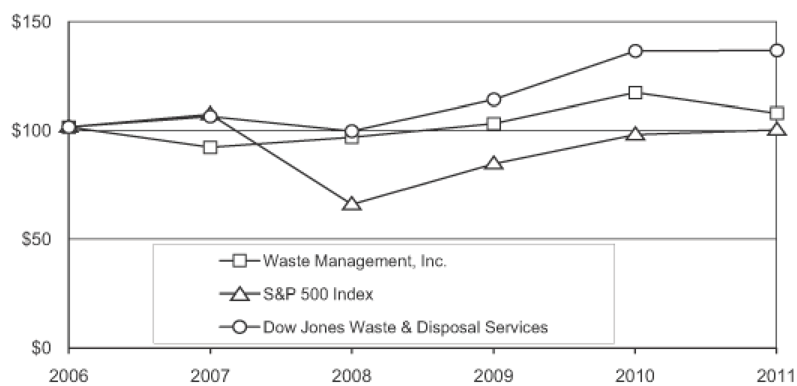
Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "WM." The following table sets forth the range of the high and low per-share sales prices for our common stock as reported on the NYSE:

	High	Low
2010		
First Quarter	$ 35.00	$ 31.29
Second Quarter	35.98	31.18
Third Quarter	36.24	31.22
Fourth Quarter	37.25	34.09
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 (through February 10, 2012)	$ 35.53	$ 32.11

On February 10, 2012, the closing sale price as reported on the NYSE was $35.21 per share. The number of holders of record of our common stock on February 10, 2012 was 13,682.

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 Cumulati e Fi e Year Total Return



	12 31 06	12 31 07	12 31 0	12 31 09	12 31 10	12 31 11
Waste Management, Inc.	$ 100	$ 91.23	$ 95.55	$ 101.48	$ 114.80	$ 105.89
S&P 500 Index	$ 100	$ 105.49	$ 66.46	$ 84.05	$ 96.71	$ 98.76
Dow Jones Waste & Disposal Services Index	$ 100	$ 104.57	$ 98.21	$ 111.79	$ 132.79	$ 133.03

Our quarterly dividends have been declared by our Board of Directors and paid in accordance with our capital allocation programs. Cash dividends declared and paid were $569 million in 2009, or $1.16 per common share, $604 million in 2010, or $1.26 per common share and $637 million in 2011, or $1.36 per common share.

In 2011, we repurchased $575 million of our common stock, pursuant to our capital allocation program. The following table summarizes common stock repurchases made during the fourth quarter of 2011:

Issuer Purchases of E uity Securities

Period	Total Number of Shares Purchased	A erage Price Paid per Share(a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Maximum Dollar alue of Shares that May Yet be Purchased Under the Plans or Programs(b)
October 1 — 31	913,700	$ 32.30	913,700	$ —
November 1 — 30	—	$ —	—	$ —
December 1 — 31	—	$ —	—	$ —
Total	913,700	$ 32.30	913,700	$ —

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

(b) The approximate maximum dollar value of shares that may yet be purchased under the program is shown as zero because our capital allocation program, by its own terms, provided for up to $575 million in share repurchases in 2011, and these repurchases were completed in October 2011.

In December 2011, we announced that our Board of Directors expects to increase the per share quarterly dividend from $0.34 to $0.355 for dividends declared in 2012. 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 Directions may deem relevant. Additionally, the Board of Directors approved up to $500 million in share repurchases for 2012. However, 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.

Item 6. ***Selected Financial Data.***

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,				
	2011(a)	2010(a)	2009(a)	200	2007
	(In millions, except per share amounts)				
Statement of Operations Data:					
Operating revenues	$ 13,378	$ 12,515	$ 11,791	$ 13,388	$ 13,310
Costs and expenses:					
Operating	8,541	7,824	7,241	8,466	8,402
Selling, general and administrative	1,551	1,461	1,364	1,477	1,432
Depreciation and amortization	1,229	1,194	1,166	1,238	1,259
Restructuring	19	(2)	50	2	10
(Income) expense from divestitures, asset impairments and unusual items	10	(78)	83	(29)	(47)
	11,350	10,399	9,904	11,154	11,056
Income from operations	2,028	2,116	1,887	2,234	2,254
Other expense, net	(508)	(485)	(414)	(437)	(505)
Income before income taxes	1,520	1,631	1,473	1,797	1,749
Provision for income taxes	511	629	413	669	540
Consolidated net income	1,009	1,002	1,060	1,128	1,209
Less: Net income attributable to noncontrolling interests	48	49	66	41	46
Net income attributable to Waste Management, Inc.	$ 961	$ 953	$ 994	$ 1,087	$ 1,163
Basic earnings per common share	$ 2.05	$ 1.98	$ 2.02	$ 2.21	$ 2.25
Diluted earnings per common share	$ 2.04	$ 1.98	$ 2.01	$ 2.19	$ 2.23
Cash dividends declared per common share	$ 1.36	$ 1.26	$ 1.16	$ 1.08	$ 0.96
Balance Sheet Data (at end of period):					
Working capital (deficit)	$ (689)	$ (3)	$ 109	$ (701)	$ (118)
Goodwill and other intangible assets, net	6,672	6,021	5,870	5,620	5,530
Total assets	22,569	21,476	21,154	20,227	20,175
Debt, including current portion	9,756	8,907	8,873	8,326	8,337
Total Waste Management, Inc. stockholders' equity	6,070	6,260	6,285	5,902	5,792
Total equity	6,390	6,591	6,591	6,185	6,102

(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 of the Consolidated Financial Statements.

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, 2011. 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.

Our 2011 results of operations reflect the impact of improved recyclable commodity prices and recycling volumes, our discipline in pricing and our continued investment in our strategic initiatives, including our July 28, 2011 acquisition of the primary operations of Oakleaf Global Holdings ("Oakleaf"). Highlights of our financial results for 2011 include:

- Revenues of $13.4 billion compared with $12.5 billion in 2010, an increase of $863 million, or 6.9%. This increase in revenues is primarily attributable to:
  - Internal revenue growth from yield on our collection and disposal business of 1.8% in the current period, which increased revenue by $193 million;
  - Increases from recyclable commodity prices of $216 million; increases primarily from our fuel surcharge program of $169 million; and increases from foreign currency translation of $31 million; and
  - Increases associated with acquired businesses of $449 million, of which $251 million was related to Oakleaf;
- Internal revenue growth from volume was negative 1.5% in 2011, compared with negative 2.6% in 2010. The year-over-year decline in internal revenue growth due to volume was $187 million, of which $94 million relates to the oil spill clean-up project along the Gulf Coast in 2010. Revenue declines due to volume from our collection and waste-to-energy businesses were offset in part by revenue increases from our recycling brokerage business and our material recovery facilities;
- Operating expenses of $8.5 billion, or 63.8% of revenues, compared with $7.8 billion, or 62.5% of revenues, in 2010. This increase of $717 million, or 9.2%, is due primarily to higher customer rebates related to increased recyclable commodity prices and volumes; the impact of higher fuel prices on direct fuel costs and indirect fuel costs included in subcontractor costs; and further increases in subcontractor costs associated in large part with our acquisition of Oakleaf, all of which have related revenue increases as noted above;

- Selling, general and administrative expenses increased $90 million, or 6.2%, from $1,461 million in 2010 to $1,551 million in 2011, primarily due to costs incurred to support our strategic growth plans and initiatives, including our acquisition of Oakleaf, and cost savings programs. We began to see the associated benefits of our cost savings programs in the second half of the year and expect the benefits to increase throughout 2012;
- Income from operations of $2.0 billion, or 15.2% of revenues, in 2011 compared with $2.1 billion, or 16.9% of revenues, in 2010;
- Net income attributable to Waste Management, Inc. of $961 million, or $2.04 per diluted share for 2011, as compared with $953 million, or $1.98 per diluted share in 2010.
- Net cash provided by operating activities increased 8.5% from $2.3 billion in 2010 to $2.5 billion in 2011. We returned $1.2 billion to our shareholders through dividends and share repurchases in 2011, compared with $1.1 billion in 2010.

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;
- 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.

We finished 2011 on a positive note with strong fourth quarter results that we intend to build upon going into 2012. Our employees are focused on continuing the progress that we have made on our strategic growth initiatives and cost savings programs. In 2012, we expect to continue to accomplish our goals of growing our revenue, expanding our operating margins, increasing our return on invested capital and returning cash to our shareholders.

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 U.S. GAAP measure. However, we believe free cash flow gives investors greater insight into how we view our liquidity. Nonetheless, the use of free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that we have committed to, such as declared dividend payments and debt service requirements.

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 the same as similarly-titled measures presented by other companies:

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

(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 repayment 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, 2011 to the comparable period in 2010, the change is primarily attributable to decreases in our income tax payments, which have positively affected our cash flow from operations this year, as well as a cash payment of $37 million made when our Canadian hedges matured in December 2010. This current year 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 natural gas vehicles and fueling infrastructure, information technology infrastructure and growth initiatives, as well as our taking advantage of bonus depreciation. The year-over-year increase in capital expenditures was also affected by 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 2010 spending was paid in cash in 2011 than in the preceding year.

Our ability to generate $1.2 billion in free cash flow in 2011 enabled us to return $1.2 billion in cash to stockholders during the year through the payment of $637 million in dividends and the repurchase of $575 million of our common stock.

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 are classified as "Selling, general and administrative" expenses. Since the acquisition date, Oakleaf has recognized revenues of $265 million and net income of less than $1 million, which are included in our Consolidated Statement of Operations.

The following table shows adjustments to the preliminary allocation of the purchase price of Oakleaf to tangible and intangible assets acquired and liabilities assumed based on their estimated fair value from September 30, 2011 to December 31, 2011 (in millions):

	September 30, 2011	Ad ustments (a)	December 31, 2011
Accounts and other receivables	$ 68	$ 2	$ 70
Other current assets	28	—	28
Property and equipment	77	(5)	72
Goodwill	320	7	327
Other intangible assets	92	(5)	87
Accounts payable	(80)	(2)	(82)
Accrued liabilities	(48)	—	(48)
Deferred income taxes, net	(13)	3	(10)
Other liabilities	(12)	—	(12)
Total purchase price	$ 432	$ —	$ 432

(a) The purchase price adjustments relate primarily to changes in the valuation of the customer and vendor relationships and evaluation of physical and market conditions of equipment.

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

	Amount	Weighted A erage Amorti ation Periods (in Years)
Customer relationships	$ 74	10.0
Vendor relationships	4	10.0
Trademarks	9	15.0
Total intangible assets subject to amortization	$ 87	10.5

Goodwill of $327 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 acquired has been allocated to our four geographic Groups based on our preliminary valuations. 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):

	Years Ended December 31,	
	2011	2010
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

Basis of Presentation of Consolidated Financial Information

Goodwill Impairment Testing — In September 2011, the Financial Accounting Standards Board ("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. 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 based on generally accepted methods. 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.

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 would actually 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 would actually 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;

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 principal financial officer and a review by the Audit Committee of our Board of Directors on a quarterly basis. Of the 33 landfill sites with expansions at December 31, 2011, 11 landfills required the principal financial officer to approve the inclusion of the unpermitted airspace. Seven of these landfills required approval by our principal financial officer because of community or political opposition that could impede the expansion process. The remaining four landfills required approval primarily 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, and 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.

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 our 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 whenever events or changes in circumstances, including management decisions pertaining to such assets, indicate that their carrying amounts may not be recoverable. These events or changes in circumstances 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 other 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, 2011, three of our landfill sites in two jurisdictions in the Company's Midwest Group, for which we believe receipt of expansion permits is probable, had ceased accepting waste. The net recorded capitalized landfill asset cost for these three sites was $469 million at December 31, 2011. 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 and Other Indefinite-Lived Intangible Assets — At least annually, and more frequently if warranted, we assess our goodwill and indefinite-lived intangible assets for impairment.

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 each 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 an income approach or a combination of the income approach and market approach when applicable. The income approach is based on the long-term projected future cash flows of our 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 our 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 our 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.

We assess whether other indefinite-lived intangible asset impairments exist by comparing the fair value of the asset with its carrying value. Fair value is typically estimated using an income approach for the respective asset, as described above. If the carrying value exceeds estimated fair value, an impairment would be recognized in the amount of the excess.

Refer to Note 6 to the Consolidating Financial Statements for additional information related to goodwill 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 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

We currently manage and evaluate our principal operations through five Groups. Our four geographic Groups, which are comprised of our Eastern, Midwest, Southern and Western Groups, provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services. Our fifth Group is the Wheelabrator Group, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. These five Groups are our reportable segments.

We also provide additional services that are not managed through our five Groups, including the Oakleaf operations we acquired on July 28, 2011, recycling brokerage services, electronic recycling services, in-plant services, landfill gas-to-energy services, integrated medical waste services and the impacts of investments that we are making in expanded service offerings and solutions. Part of our expansion of services includes offering portable self-storage services and fluorescent bulb and universal waste mail-back through our LampTracker® program. In addition, we have made investments that involve the acquisition and development of interests in oil and gas producing properties. These operations are presented as "Other" in the table below. Shown below (in millions) is the contribution to revenues during each year provided by our five Groups and our Other services:

	Years Ended December 31,		
	2011	2010	2009
Eastern	$ 3,115	$ 2,943	$ 2,960
Midwest	3,213	3,048	2,855
Southern	3,390	3,461	3,328
Western	3,282	3,173	3,125
Wheelabrator	877	889	841
Other	1,532	963	628
Intercompany	(2,031)	(1,962)	(1,946)
Total	$ 13,378	$ 12,515	$ 11,791

Our operating revenues generally come from fees charged for our collection, disposal, transfer, recycling 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 Group, 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 includes 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. The mix of operating revenues from our major lines of business is reflected in the table below (in millions):

	Years Ended December 31,		
	2011	2010	2009
Collection	$ 8,406	$ 8,247	$ 7,980
Landfill	2,611	2,540	2,547
Transfer	1,280	1,318	1,383
Wheelabrator	877	889	841
Recycling	1,580	1,169	741
Other	655	314	245
Intercompany	(2,031)	(1,962)	(1,946)
Total	$ 13,378	$ 12,515	$ 11,791

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 2011 s 2010		Period-to-Period Change 2010 s 2009	
	Amount	As a of Total Company(a)	Amount	As a of Total Company(a)
Average yield(b)	$ 572	4.6%	$ 724	6.1%
Volume	(187)	(1.5)	(304)	(2.6)
Internal revenue growth	385	3.1	420	3.5
Acquisitions	449	3.6	240	2.0
Divestitures	(2)	—	(2)	—
Foreign currency translation	31	0.2	66	0.6
	$ 863	6.9%	$ 724	6.1%

(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 ($12,513 million and $11,789 million for 2011 and 2010, respectively).

(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 2011 s 2010		Period-to-Period Change 2010 s 2009	
	Amount	As a of Related Business (i)	Amount	As a of Related Business (i)
Average yield:				
Collection, landfill and transfer	$ 198	2.0%	$ 218	2.2%
Waste-to-energy disposal(ii)	(5)	(1.1)	21	5.1
Collection and disposal(ii)	193	1.8	239	2.3
Recycling commodities	216	17.8	423	58.5
Electricity(ii)	(6)	(2.2)	(7)	(2.5)
Fuel surcharges and mandated fees	169	37.7	69	18.4
Total	$ 572	4.6	$ 724	6.1

(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	
	2011	2010
Related-business revenues:		
Collection, landfill and transfer	$ 10,111	$ 9,999
Waste-to-energy disposal	466	413
Collection and disposal	10,577	10,412
Recycling commodities	1,215	723
Electricity	273	279
Fuel surcharges and mandated fees	448	375
Total Company	$ 12,513	$ 11,789

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

Our revenues increased $863 million, or 6.9%, and $724 million, or 6.1%, for the years ended December 31, 2011 and 2010, respectively. The year-over-year change in revenues for both periods has been driven by (i) market factors, including higher recyclable commodity prices; higher diesel fuel prices, which increase revenues provided by our fuel surcharge program; and foreign currency translation, which affects revenues from our Canadian operations; (ii) acquisitions, particularly the acquisition of Oakleaf, which increased consolidated revenues by $251 million for 2011; and (iii) revenue growth from average yield on our collection and disposal operations. Offsetting these revenue increases were revenue declines due to lower volumes.

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 both 2011 and 2010, our revenue growth from collection and disposal average yield demonstrates our commitment to our pricing strategies. This increase in revenue from yield was primarily driven by our collection operations, which experienced yield growth in all lines of business and in every geographic Group. As discussed below, increased collection revenues due to average yield have been more than offset by revenue declines from lower collection volumes. However, revenue growth from yield on base business and our efforts toward controlling variable costs continue to favorably influence margin changes in our collection line of business.

In 2011, revenue growth from collection and disposal average yield was $193 million, or 1.8%, 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 1.8% increase for 2011 is less than the 2.3% increase for 2010. This is due in large part to our residential line of business, in which we have experienced downward pressure on our revenue growth from yield across most of our geographic Groups, most notably in our Eastern and Southern Groups. 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, principally recycling services, when bidding on or renewing residential contracts and pursuing residential subscription business. Additional recycling services are typically at lower 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.

Our total collection and disposal revenue growth from yield has also been negatively affected during 2011, by factors including the changes in the mix of our temporary and permanent customers in our industrial business, particularly in North and South Florida. Additionally, we saw a $5 million yield decline in our waste-to-energy facilities, primarily driven by the expiration of a long-term contract at one of our waste-to-energy operations in South Florida in August 2011. We expect this negative trend to continue into 2012 due to the expiration of a similar long-term contract that will occur at the end of March 2012. Although these factors discussed above negatively affected our revenue growth from yield in 2011 as compared with 2010, we did see a favorable rate of revenue growth from yield in our commercial line of business during 2011 as compared with the prior year. This favorable impact was driven by both price increases and additional service fees. Overall, we have found that increasing our revenue growth from yield in today's market is a challenge given the reduced volume levels resulting from the economic slowdown, 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 $37 million and $33 million for the years ended December 31, 2011 and 2010, respectively. Environmental fee revenues totaled $288 million in 2011 as compared with $251 million in 2010 and $218 million in 2009.

Recycling commodities — Increases in the prices of the recycling commodities we sold resulted in an increase in revenues of $216 million in 2011 as compared with 2010. For the first nine months of 2011, our overall commodity prices increased approximately 26% as compared with the first nine months of the prior year. However, during the fourth quarter of 2011, we saw a decline of approximately 8% in commodity prices due to increased supply and lower demand.

In 2010, higher recycling commodity prices were the principal driver of our revenue increase of $423 million as compared with 2009. Market prices for recyclable commodities increased significantly from the near-historic lows experienced in late 2008 and early 2009. For the twelve months of 2010, overall commodity prices increased approximately 57% as compared with 2009.

Fuel surcharges and mandated fees — These revenues, which are predominantly generated by our fuel surcharge program, increased by $169 million and $69 million for the years ended December 31, 2011 and 2010, respectively. This increase is directly attributable to higher 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. These mandated fees have not had a significant impact on the comparability of revenues for the periods included in the table above.

Volume — Our revenue decline due to volume was $187 million, or 1.5%, for the year ended December 31, 2011. This is a notable improvement in the rate of revenue decline from the prior year when revenue decline due to volume was $304 million, or 2.6%. Volume declines are generally attributable to economic conditions, increased pricing, competition and increasing focus on waste reduction and diversion by consumers. Additionally, the oil spill clean-up activities along the Gulf Coast in 2010 unfavorably impacted our year-over-year volume change by $94 million for the year ended December 31, 2011.

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 attribute 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 continued to be negatively affected by the current economic environment due to the construction slowdown across the United States. Lower third-party volumes in our transfer station operations also caused revenue declines in the current year and can generally be attributed to economic conditions and the effects of pricing and competition. Furthermore, as noted above, the overall year-over-year comparison of volumes in the collection line of business was unfavorably impacted by volume we received 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 year, primarily driven by higher special waste volumes in our Eastern and Midwest geographic Groups. However, our landfill municipal solid waste volumes continued to decline 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.

In 2010, our collection business accounted for $254 million of the total volume-related revenue decline. We experienced commercial and residential collection volume declines 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. The overall volume decline in the collection line of business was offset in part by an increase in volumes of $99 million associated with oil spill clean-up activities along the Gulf Coast. Lower third-party volumes in our transfer station operations also caused revenue declines in 2010, and can generally be attributed to economic conditions and the effects of pricing and competition. However, in 2010, our landfill revenues increased due to higher third-party volumes. This increase was principally due to higher special waste volumes in our Midwest and Southern Groups, driven in part by our focus on our customers and better meeting their needs.

Acquisitions and divestitures — Revenues increased $449 million and $240 million for the years ended December 31, 2011 and 2010, respectively, due to acquisitions. The significant revenue increase due to acquisitions in 2011 was principally associated with Oakleaf, included in our "Other" business, demonstrating our current focus on identifying strategic growth opportunities in new, complementary lines of business. Additionally, revenue increased due to acquisitions in our collection, recycling and waste-to-energy lines of business in both periods. Divestitures accounted for decreased revenues of $2 million in each of the years ended December 31, 2011 and 2010, respectively.

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 $717 million, or 9.2%, when comparing 2011 with 2010 and increased $583 million, or 8.1%, when comparing 2010 with 2009. Operating expenses as a percentage of revenues were 63.8% in 2011, 62.5% in 2010 and 61.4% in 2009. The increases in our operating expenses during the years ended December 31, 2011 and 2010 can largely be attributed to the following:

Higher market prices for recyclable commodities — In both 2011 and 2010, increased market prices for recyclable commodities was the main driver of the increase in cost of goods sold, as presented in the table below, primarily due to customer recycling rebates, which also resulted in increased revenues and earnings. For the first nine months of 2011, our overall commodity prices increased approximately 26% as compared with the first nine months of the prior year. However, during the fourth quarter of 2011, we saw a decline of approximately 8% in commodity prices due to higher supply and lower demand. During 2010, market prices for recyclable commodities increased significantly from the near-historic lows experienced in late 2008 and early 2009, reflecting a 57% increase in 2010 as compared with 2009. Increases in cost of goods sold accounted for 41% and 49% of the year-over-year increases in total operating expenses during 2011 and 2010, respectively.

Fuel cost increases — Higher market prices for fuel caused increases in both our direct fuel costs and our subcontractor costs in both 2011 and 2010. On average, diesel fuel prices increased 29% in 2011 and 21% in 2010 as compared with the respective prior years. Diesel fuel prices averaged $3.85, $2.99 and $2.46 per gallon for 2011, 2010 and 2009, respectively. We believe the total impact of fuel cost increases, when considering both the impact to our direct fuel costs and an estimate of the impact to our subcontractor costs, accounted for approximately 23% and 17% of the total year-over-year increase in operating expenses during 2011 and 2010, respectively. Increased revenues attributable to our fuel surcharge offset the unfavorable impact of higher fuel costs in 2011 and partially offset the unfavorable impact of higher fuel costs in 2010.

Acquisitions and growth initiatives — In both 2011 and 2010, 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 approximately 42% and 17% of our $717 million and $583 million increases in operating expenses during 2011 and 2010, respectively. Recent acquisitions included the purchase of Oakleaf and a number of collection and recycling operations. In particular, the acquisition of Oakleaf increased operating costs by $213 million in the current year, primarily impacting subcontractor costs and, to a lesser extent, the cost of goods sold and other categories. The increase in operating expenses resulting from acquired businesses was more than offset by increased revenues from acquired businesses.

Canadian exchange rates — When comparing the average exchange rates for 2011 and 2010 to the prior year, the Canadian exchange rate strengthened by 4% and 10%, respectively, which increased our expenses in all operating cost categories. The strengthening of the Canadian dollar increased our total operating expenses by $20 million for 2011 as compared with 2010 and $52 million for 2010 as compared with 2009.

Volume declines — During 2011 and 2010, we continued to experience 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 reduce our variable costs as we experience volume declines and have achieved cost savings as a result. These cost decreases have benefited each of the operating cost categories identified in the table below except for the cost of goods sold category, which increased as a result of additional customer rebates due to a 13% increase in recyclable material tons sold in 2011.

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):

	2011	Period-to-Period Change		2010	Period-to-Period Change		2009
Labor and related benefits	$ 2,336	$ 36	1.6%	$ 2,300	$ 40	1.8%	$ 2,260
Transfer and disposal costs	937	(6)	(0.6)	943	6	0.6	937
Maintenance and repairs	1,090	49	4.7	1,041	8	0.8	1,033
Subcontractor costs	948	178	23.1	770	70	10.0	700
Cost of goods sold	1,071	295	38.0	776	288	59.0	488
Fuel	628	135	27.4	493	79	19.1	414
Disposal and franchise fees and taxes	602	13	2.2	589	11	1.9	578
Landfill operating costs	255	(39)	(13.3)	294	72	32.4	222
Risk management	222	20	9.9	202	(9)	(4.3)	211
Other	452	36	8.7	416	18	4.5	398
	$ 8,541	$ 717	9.2%	$ 7,824	$ 583	8.1%	$ 7,241

The significant period-to-period changes in our operating expenses by category are discussed below.

Labor and related benefits — The increases in 2011 and 2010 were primarily due to higher hourly and salaried wages due to merit increases and additional expenses incurred from acquisitions and growth opportunities, offset in part by cost savings that have been achieved as volumes have declined.

The comparability of our labor and related benefits costs for the periods presented has also been affected by costs incurred primarily associated with the withdrawal of certain bargaining units from underfunded multiemployer pension plans. These costs increased 2010 expense by $26 million and 2009 expense by $9 million.

Maintenance and repairs — Comparing 2011 with 2010, the increase was due to higher costs in our geographic Groups largely attributable to increased fleet maintenance costs, which include services provided by third-parties, tires, parts and internal shop labor costs. The increase in expense for tires and parts reflects the worldwide increase in commodity prices.

Subcontractor costs — The current year increase in subcontractor costs was primarily a result of the Oakleaf acquisition, increased diesel fuel prices, other recent acquisitions, our various growth and business development initiatives and additional costs associated with servicing our in-plant services customers. Oakleaf utilizes a nationwide network of third-party haulers to service its customers, which increased our subcontractor costs by $153 million during the second half of 2011 after completing the acquisition on July 28, 2011. These increases were partially offset by the impact of an additional $54 million in prior year costs attributable to oil spill clean-up activities along the Gulf Coast during 2010. The 2010 increase in subcontractor costs was largely the result of these oil spill clean-up activities, as well as higher diesel fuel prices when compared with 2009.

Cost of goods sold — The cost increases during 2011 and 2010 were primarily due to increases in the recycling commodity rebates we pay to our customers as a result of higher market prices for recyclable commodities. The increase in costs in 2011 was also driven by (i) increases in the volume of materials processed at our existing recycling facilities; and (ii) increases resulting from the Oakleaf acquisition and other recently acquired businesses.

Fuel — The costs increases for 2011 and 2010 were a result of higher market prices for diesel fuel.

Landfill operating costs — The changes in these costs during 2011 and 2010 were due largely to the recognition of additional estimated expense associated with environmental remediation liabilities of $50 million at four closed sites during 2010. During 2011, the Company recognized a $9 million favorable revision to an environmental liability at one of these sites based on the estimated cost of the remediation alternative selected by the EPA.

The changes in this category for the years presented were also significantly impacted by the 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 $17 million of unfavorable adjustments during 2011, $2 million of unfavorable adjustments during 2010, and $35 million of favorable adjustments during 2009. During 2011, the discount rate we use decreased from 3.50% to 2.00%. Over the course of 2010, the discount rate decreased slightly from 3.75% to 3.50% and during 2009, the rate increased from 2.25% to 3.75%.

Risk management — The increase in risk management costs during 2011 was primarily a result of increased costs associated with auto and general liability claims in the current year and the prior year recognition of favorable adjustments associated with prior period claims that were higher than similar favorable adjustments recognized during 2011.

Other — The 2011 increase was attributable, in part, to our various growth and business development initiatives and recently acquired businesses, including Oakleaf. These increases were partially offset by prior year costs related to the oil spill clean-up activities along the Gulf Coast in 2010. The 2010 increase was attributable, in part, to our various growth and business development initiatives, oil spill clean-up activities along the Gulf Coast, and recently acquired businesses. These cost increases in 2010 were partially offset by an increase in gains recognized from the sale of surplus real estate assets.

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 increased by $90 million, or 6.2%, and $97 million, or 7.1% when comparing 2011 with 2010 and 2010 with 2009, respectively. The increases in both years are largely due to (i) increased costs of approximately $53 million and $52 million during 2011 and 2010, respectively, incurred to support our strategic plan to grow into new markets and provide expanded service offerings, including our acquisition of Oakleaf in 2011 and (ii) increased costs of $9 million and $23 million during 2011 and 2010, respectively, resulting from improvements we are making to our information technology systems. Additionally, during 2011 we experienced increased consulting costs of $37 million incurred in connection with the start-up phase of new cost savings programs focusing on procurement and operational and back-office efficiency. Our selling, general and administrative expenses as a percentage of revenues were 11.6% in 2011, 11.7% in 2010 and 11.6% in 2009.

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

	2011	Period-to-Period Change		2010	Period-to-Period Change		2009
Labor and related benefits	$ 913	$ 68	8.0%	$ 845	$ 70	9.0%	$ 775
Professional fees	185	10	5.7	175	8	4.8	167
Provision for bad debts	47	2	4.4	45	(9)	(16.7)	54
Other	406	10	2.5	396	28	7.6	368
	$ 1,551	$ 90	6.2%	$ 1,461	$ 97	7.1%	$ 1,364

Labor and related benefits — In 2011, our labor and related benefits costs increased primarily due to (i) higher compensation costs due to an increase in headcount driven by our strategic growth plans, optimization initiatives, cost savings programs, and acquisition of Oakleaf; (ii) higher salaries and hourly wages due to merit increases; and (iii) higher non-cash compensation costs incurred for our performance share units and our stock option equity awards granted under our long-term incentive plan, or LTIP, offset partially by lower costs associated with our executive salary deferral plan, the costs of which are directly affected by equity-market conditions. The stock option equity awards that the Company granted in 2011 and 2010 provide that such options will continue to vest on the schedule provided in the award agreement following an employee's retirement. Because retirement-eligible employees are not required to provide any future service to vest in these awards, we immediately recognized all of the compensation expense associated with stock option awards granted to retirement eligible employees. In 2011, the composition of our annual LTIP award grant was modified to use stock options to a greater extent and to reduce the number of performance share units awarded. Accordingly, costs increased in 2011 due to the significant increase in the number of stock option awards granted in 2011 over those granted in 2010 and an increase in the number of retirement-eligible employees receiving those awards.

In 2010, our labor and related benefits costs increased primarily due to (i) higher salaries and hourly wages due to merit increases; (ii) higher compensation costs due to an increase in headcount driven by our strategic growth plans; (iii) additional bonus expense in 2010 because our performance against targets established by our annual incentive plans was stronger in 2010 compared with 2009; (iv) increased contract labor costs as a result of our current focus on optimizing our information technology systems; (v) increased severance costs; and (vi) higher non-cash compensation costs incurred for equity awards granted under our LTIP. During the second quarter of 2009, we reversed all compensation costs previously recognized for our 2008 performance share units based on a determination that it was no longer probable that the targets established for that award would be met. Additionally, during the first quarter of 2010 we immediately recognized all of the compensation expense associated with stock option awards granted to retirement-eligible employees. We did not incur similar charges in 2009 because this retirement provision was not included in any of the equity awards that were granted during 2009.

Professional fees — During 2011, our professional fees increased due to consulting fees, primarily associated with the start-up phase of new cost savings programs, although these fees declined significantly during the second half of the year. We have begun to see the associated benefits of these programs and expect the benefits to increase throughout 2012. This increase was offset to a certain extent by lower legal fees in 2011 as compared with 2010. This reduction in legal fees in 2011 was primarily the result of the settlement in 2010 of a lawsuit related to the abandonment of revenue management software.

In 2010, our professional fees increased due to consulting fees, driven primarily by improvements we are made to our information technology systems and investments we made to support our strategic growth plans. This increase was partially offset by a reduction in legal fees in 2010 as compared with 2009.

Provision for bad debts — Our provision for bad debts was slightly higher in 2011 as compared with 2010, but both 2011 and 2010 were notably lower than 2009. Our provision was higher in 2009 as a result of the Company's assessment of the weak economic environment in the beginning of 2009 and the resulting impacts on our collection risk. However, due in part to management's continued focus on the collection of our receivables, our collection risk has moderated since 2009, thus resulting in a lower provision in both 2010 and 2011.

Other — During 2011 and 2010, we experienced increases in our computer costs, due in part to improvements we are making to our information technology systems, and litigation loss and settlement costs. Also driving the increase during 2010 was increased marketing and advertising costs, driven in part by our strategic growth plans.

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, either using 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):

	2011	Period-to-Period Change		2010	Period-to-Period Change		2009
Depreciation of tangible property and equipment	$ 800	$ 19	2.4%	$ 781	$ 2	0.3%	$ 779
Amortization of landfill airspace	378	6	1.6	372	14	3.9	358
Amortization of intangible assets	51	10	24.4	41	12	41.4	29
	$ 1,229	$ 35	2.9%	$ 1,194	$ 28	2.4%	$ 1,166

The increases in amortization expense of intangible assets in 2011 and 2010 are due to our focus on the growth and development of our business through acquisitions and other investments. The increase in amortization of intangible assets in 2011 is primarily related to the amortization of customer lists, which were acquired (i) through our acquisition of Oakleaf, (ii) by our Southern Group and (iii) by our recycling and electronic brokerage services business. The increase in amortization of intangible assets in 2010 is primarily related to the amortization of definite-lived operating permits acquired by our healthcare solutions operations, customer lists acquired by our Southern and Midwest Groups and gas rights acquired by our renewable energy operations.

Restructuring

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 associated with this reorganization.

In January 2009, we streamlined our organization by (i) consolidating our Market Areas from 45 Market Areas to 25 Market Areas; (ii) integrating the management of our recycling operations with our solid waste businesses in our four geographic Groups; and (iii) realigning our Corporate organization with this new structure in order to provide support functions more efficiently. This restructuring eliminated over 1,500 employee positions throughout the Company. During 2009, we recognized $50 million of pre-tax charges associated with this restructuring, of which $41 million were related to employee severance and benefit costs. The remaining charges were primarily related to lease obligations for property that will no longer be utilized. In 2010, we recognized $2 million of income related to the reversal of pre-tax restructuring charges recorded in 2009.

(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):

	Years Ended December 31,		
	2011	2010	2009
(Income) expense from divestitures	$ 1	$ (1)	$ —
Asset impairments	9	—	83
Other	—	(77)	—
	$ 10	$ (78)	$ 83

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

Through December 31, 2008, we capitalized $70 million of accumulated costs associated with the development of a new waste and recycling revenue management system. A significant portion of these costs was specifically associated with the purchase of a license for waste and recycling revenue management software and the efforts required to develop and configure that software for our use. After a failed pilot implementation of the software in one of our smallest Market Areas, the development efforts associated with the revenue management system were suspended in 2007. During 2009, we determined to enhance and improve our existing revenue management system and not pursue alternatives associated with the development and implementation of the licensed software. Accordingly, in 2009, we recognized a non-cash charge of $51 million for the abandonment of the licensed software.

We recognized an additional $32 million of impairment charges during 2009, $27 million of which was recognized by our Western Group during the fourth quarter of 2009 to fully impair a landfill in California as a result of a change in our expectations for the future operations of the landfill. The remaining impairment charges were primarily attributable to a charge required to write down certain of our investments in portable self-storage operations to their fair value as a result of our acquisition of a controlling financial interest in those operations.

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 by Reportable Segment

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

	2011	Period-to-Period Change		2010	Period-to-Period Change		2009
Reportable segments:							
Eastern	$ 559	$ 43	8.3%	$ 516	$ 33	6.8%	$ 483
Midwest	646	113	21.2	533	83	18.4	450
Southern	779	(65)	(7.7)	844	76	9.9	768
Western	576	7	1.2	569	48	9.2	521
Wheelabrator	168	(46)	(21.5)	214	(21)	(8.9)	235
Other	(116)	19	(14.1)	(135)	1	(0.7)	(136)
Corporate and other	(584)	(159)	37.4	(425)	9	(2.1)	(434)
Total	$ 2,028	$ (88)	(4.2)%	$ 2,116	$ 229	12.1%	$ 1,887

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Reportable Segments — The most significant items affecting the results of operations of our four geographic Groups during the three-year period ended December 31, 2011 are summarized below:

- revenue growth from yield on our base business;
- market prices for recyclable commodities reflected significant year-over-year improvement in both 2011 and 2010;
- the accretive benefits of recent acquisitions during 2011and 2010;
- continued volume declines in 2010, and to a lesser extent in 2011, due to the economy, pricing, competition and increasing focus on waste reduction and diversion by consumers;
- higher salaries and wages due to annual merit increases in both 2011 and 2010 for salaried and hourly employees. The increases during 2011 were offset, in large part, by the transfers of certain field sales organization employees to the Corporate sales organization;
- higher maintenance and repair costs during 2011; and
- restructuring charges during 2011 and 2009.

Other significant items affecting the comparability of our Groups' results of operations for the years ended December 31, 2011, 2010 and 2009 are summarized below:

Eastern — During 2009, the Group recognized (i) an $18 million increase in revenues and income from operations associated with an oil and gas lease at one of our landfills; and (ii) a $9 million charge related to bargaining unit employees in New Jersey agreeing to our proposal to withdraw them from an underfunded multiemployer pension fund.

Midwest — The income from operations of our Midwest Group in 2010 was significantly affected by the recognition of charges of $26 million as a result of employees of five bargaining units in Michigan and Ohio agreeing to our proposal to withdraw them from an underfunded multiemployer pension plan.

Additionally, when comparing the average exchange rate in 2010 with 2009, the Canadian exchange rate strengthened by 10%, which increased the Group's income from operations. The effects of foreign currency translation were the most significant to this Group because substantially all of our Canadian operations are managed by our Midwest Group.

Southern — The decrease in income from operations of our Southern Group for the year ended December 31, 2011 as compared with 2010 was driven largely by the volume decline previously discussed, which includes the unfavorable year-over-year impact of 2010 project volumes resulting from oil spill clean-up activities along the Gulf Coast. Additionally, the Group recognized a charge of $11 million in 2011 related to litigation reserves. This charge was initially recognized in "Other" during the fourth quarter of 2010.

Western — The Group's income from operations included additional "Selling, general and administrative" expense of $24 million recognized in 2011 as a result of a litigation loss and $12 million recognized in 2010 in connection with a litigation settlement. The Group's 2009 income from operations included the recognition of an impairment charge of $27 million as a result of a change in expectations for the future operations of an inactive landfill in California.

Further affecting the comparison of results was the recognition of $7 million of favorable adjustments to landfill amortization expense during 2010 associated with our obligations for landfill final capping, closure and post-closure and net expenses of $5 million recognized for adjustments related to these obligations during 2009. The unfavorable adjustments during 2009 primarily related to a closed landfill in Los Angeles, California for which the Group recognized additional amortization expense.

Wheelabrator — The decrease in income from operations of our Wheelabrator Group for the year ended December 31, 2011 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; (ii) an increase in year-to-date costs at our facility in Portsmouth, Virginia that we acquired in April 2010 as we continue to refurbish the facility; and (iii) additional expenses recognized during 2011 for litigation reserves and associated compliance costs. A portion of the expenses for litigation reserves and associated costs were initially recognized in "Other" during the fourth quarter of 2010. The impact of these unfavorable items was partially offset by the efforts to control costs across each of our facilities.

The decrease in the Group's 2010 income from operations as compared with 2009 was driven by an increase in maintenance-related outages as compared with the prior year, which resulted in decreased electricity generation and increased plant maintenance costs. These increases were attributable to the acceleration of repair and maintenance expenses at our facility in Portsmouth, Virginia that we acquired in April 2010, and expenses at certain of our other facilities. The Group also experienced an increase in litigation settlement costs as compared with 2009. These unfavorable items were partially offset by the benefit of increased revenues from the sale of metals.

Significant items affecting the comparability of the remaining components of our results of operations for the years ended December 31, 2011, 2010 and 2009 are summarized below:

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, 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 Groups or financing for our Canadian operations; and (ii) certain year-end adjustments recorded in consolidation related to the reportable segments that were not included in the measure of segment profit or loss used to assess their performance for the periods disclosed.

Significant items affecting the comparability of income from operations for the periods presented include (i) the reversal in 2011 of adjustments initially recorded in consolidation in the fourth quarter of 2010 related to our reportable segments, which are now included in the measure of segment income from operations in 2011 and (ii) losses from our growth initiatives. The adjustments recorded in consolidation were primarily related to $15 million of additional expense for litigation reserves and associated costs in our Southern and Wheelabrator Groups. The losses from our growth initiatives are expected to drive year-over-year improvements in future periods.

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

a benefit in 2010 of $77 million resulting from a litigation settlement that occurred in April 2010 and $51 million in charges recognized during 2009 for the abandonment of licensed software associated with the revenue management software implementation that was suspended in 2007 and abandoned in 2009;

increases in "Selling, general and administrative" expenses for the periods presented as a result of cost increases attributable to (i) consulting fees primarily associated with our new cost savings programs focusing on procurement, operational efficiency and back office efficiency and (ii) additional compensation expense due to annual salary and wage increases, headcount increases to support the Company's strategic growth plans, and an increase in costs attributable to our equity compensation. Also affecting the comparison during the periods presented is increased compensation expense during 2011 due to transfers of certain field sales organization employees to the Corporate sales organization and a favorable litigation settlement that occurred in 2010;

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 $17 million of unfavorable adjustments during 2011 and $2 million of unfavorable adjustments during 2010, compared with $35 million of favorable adjustments during 2009;

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 prior period claims; and

the recognition of $9 million in restructuring charges during 2009.

Renewable Energy Operations

We have extracted value from the waste streams we manage for years, and we are focusing on increasing our ability to do so, particularly in the field of clean and renewable energy. Most significantly, our current operations produce renewable energy through the waste-to-energy facilities that are managed by our Wheelabrator Group and our landfill gas-to-energy operations. We are actively seeking opportunities to enhance our existing renewable energy service offerings to ensure that we can respond to the shifting demands of consumers and to ensure that we are acting as a leader in environmental stewardship.

We are disclosing the following supplemental information related to the operating results of our renewable energy operations for the years ended December 31, 2011 and 2010 (in millions) because we believe that it provides information related to the significance of our current renewable energy operations, the profitability of these operations and the costs we are incurring to develop these operations:

	2011				2010			
	Wheelabrator	Landfill Gas-to-Energy(a)	Growth Opportunities(b)	Total	Wheelabrator	Landfill Gas-to-Energy(a)	Growth Opportunities(b)	Total
Operating revenues (including intercompany)	$ 877	$ 140	$ —	$ 1,017	$ 889	$ 126	$ —	$ 1,015
Costs and expenses:								
Operating	548	60	2	610	512	51	2	565
Selling, general & administrative	92	3	3	98	99	3	3	105
Depreciation and amortization	67	28	—	95	64	24	—	88
Restructuring and unusual items	2	—	—	2	—	—	—	—
	709	91	5	805	675	78	5	758
Income (loss) from operations	$ 168	$ 49	$ (5)	$ 212	$ 214	$ 48	$ (5)	$ 257

(a) Our landfill gas-to-energy business focuses on generating a renewable energy source from the methane that is produced as waste decomposes. The operating results include the revenues and expenses of landfill gas-to-energy plants that we own and operate, as well as revenues generated from the sale of landfill gas to third-party owner/operators. The operating results of our landfill gas-to-energy business are included within our geographic reportable segments and "Other".

(b) Includes businesses and entities we have acquired or invested in through our organic growth group's business development efforts. These businesses include a landfill gas-to-LNG facility; landfill gas-to-diesel fuels technologies; organic waste streams-to-fuels technologies; and other engineered fuels technologies. The operating results of our Growth Opportunities are included within "Other" in our assessment of our income from operations by segment.

Interest Expense

Our interest expense was $481 million in 2011, $473 million in 2010 and $426 million in 2009. When comparing 2011 with 2010, our interest expense increased only slightly in spite of a more significant increase in our debt balances over the course of the year of about $850 million. This was primarily attributable to (i) a decrease in our weighted average borrowing rate that has been achieved by refinancing debt with scheduled maturities in 2011 with debt at much lower fixed interest rates; (ii) the impacts that lower market interest rates had on the cost of certain of our tax-exempt debt; and (iii) a $5 million increase in capitalized interest due primarily to higher capital spending in 2011. In 2011, these decreases in interest expense were partially offset by a decrease in the benefits provided by active and terminated interest rate swap agreements due to the maturity of the underlying senior notes.

When comparing 2010 with 2009, the significant increase in our interest expense was primarily due to (i) the issuance of an additional $600 million of senior notes in November 2009 to support acquisitions and investments made throughout 2010, (ii) significantly higher costs related to our revolving credit facility, and (iii) decreased benefits to interest expense provided by active interest rate swaps as a result of decreases in the notional amount of swaps outstanding. These increases in interest expense were offset, in part, by a decline in market interest rates, which reduced the interest costs of our tax-exempt borrowings and our Canadian credit facility.

Equity in Net Losses of Unconsolidated Entities

Beginning in April 2010, our "Equity in net losses of unconsolidated entities" has been primarily related to our noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties, 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. In January 2011, we acquired a noncontrolling interest in a limited liability company established to invest in and manage a refined coal facility. 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.

Provision for Income Taxes

We recorded provisions for income taxes of $511 million in 2011, $629 million in 2010 and $413 million in 2009. These tax provisions resulted in an effective income tax rate of approximately 33.6%, 38.5% and 28.1%, for 2011, 2010 and 2009, respectively. The comparability of our reported income taxes for the years ended December 31, 2011, 2010 and 2009 is primarily affected by (i) variations in our income before income taxes; (ii) the utilization of a capital loss carry-back; (iii) the realization of state net operating loss and credit carry-forwards; (iv) changes in effective state and Canadian statutory tax rates; (v) tax audit settlements; and (vi) the impact of federal low-income housing and refined coal tax credits. The impacts of these items are summarized below:

C*apital Loss Carry-back* — During 2009, we generated a capital loss from the liquidation of a foreign subsidiary. We determined that the capital loss could be utilized to offset capital gains from 2006 and 2007, which resulted in a reduction to our 2009 "Provision for income taxes" of $65 million.

State Net Operating Loss and Credit Carry-forwards — During 2011, 2010 and 2009, we utilized state net operating loss and credit carry-forwards resulting in a reduction to our "Provision for income taxes" for those periods of $4 million, $4 million, and $35 million, respectively.

Canadian and 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. During 2009, our current state tax rate increased from 6.0% to 6.25% and our deferred state tax rate increased from 5.5% to 5.75%, resulting in an increase to our income taxes of $3 million and $6 million, respectively. Also affecting 2009 was the reduction of provincial tax rates in Ontario, which resulted in a $13 million tax benefit 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 $12 million for the year ended December 31, 2011, $8 million for the year ended December 31, 2010 and $11 million for the year ended December 31, 2009.

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, 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 $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.

Our acquisition of Oakleaf did not materially impact our provision for income taxes or the effective income tax rate for the period ended December 31, 2011. We did receive, as part of the acquisition, income tax attributes (primarily federal and state net operating losses). While these tax attributes, when realized, will not affect our overall 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 2012 recurring effective tax rate will be approximately 35.5% based on expected income levels, projected federal tax credits and other permanent items.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, signed into law on December 17, 2010, included an extension of the bonus depreciation allowance through the end of 2012 and increased the amount of qualifying capital expenditures that can be depreciated immediately from 50% to 100%. The 100% depreciation deduction applies to qualifying property placed in service from September 8, 2010 through December 31, 2011. The acceleration of deductions on 2011 capital expenditures resulting from the bonus depreciation provision had no impact on our 2011 effective tax rate. However, the ability to accelerate depreciation deductions decreased our 2011 cash taxes by approximately $190 million. Taking the accelerated tax depreciation will result in increased cash taxes in future periods when the deductions for these capital expenditures would have otherwise been taken.

Noncontrolling Interests

Net income attributable to noncontrolling interests was $48 million in 2011, $49 million in 2010 and $66 million in 2009. 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 Group. The comparison of these amounts for the reported periods has been affected by (i) our January 2010 acquisition of a controlling financial interest in a portable self-storage business and (ii) the deconsolidation of certain final capping, closure, post-closure and environmental remediation trusts as a result of our implementation of authoritative accounting guidance, effective January 1, 2010, associated with variable interest entities. 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 266 solid waste and five secure hazardous waste landfills at December 31, 2011 and 2010. At December 31, 2011 and 2010, 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, 2011			December 31, 2010		
	Remaining Permitted Capacity	Expansion Capacity	Total Capacity	Remaining Permitted Capacity	Expansion Capacity	Total Capacity
Remaining cubic yards	4,730	621	5,351	4,793	600	5,393
Remaining tonnage	4,485	621	5,106	4,391	603	4,994

Based on remaining permitted airspace as of December 31, 2011 and projected annual disposal volumes, the weighted average remaining landfill life for all of our owned or operated landfills is approximately 42 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 33 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 48 years when considering remaining permitted airspace, expansion airspace and projected annual disposal volume.

The number of landfills we own or operate as of December 31, 2011, segregated by their estimated operating lives (in years), based on remaining permitted and expansion airspace and projected annual disposal volume, was as follows:

	0 to 5	6 to 10	11 to 20	21 to 40	41	Total
Owned	11	9	32	69	90	211
Operated through lease(a)	5	4	4	5	7	25
Operating contracts(b)	10	6	8	5	6	35
Total landfills	26	19	44	79	103	271

(a) From an operating perspective, 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, 2011 and 2010 (in millions):

	December 31, 2011			December 31, 2010		
	Remaining Permitted Capacity	Expansion Capacity	Total Capacity	Remaining Permitted Capacity	Expansion Capacity	Total Capacity
Balance, beginning of year	4,391	603	4,994	4,075	726	4,801
Acquisitions, divestitures, newly permitted landfills and closures	—	—	—	14	—	14
Changes in expansions pursued(a)	—	101	101	—	120	120
Expansion permits granted(b)	84	(84)	—	238	(238)	—
Airspace consumed	(90)	—	(90)	(91)	—	(91)
Changes in engineering estimates and other(c)	100	1	101	155	(5)	150
Balance, end of year	4,485	621	5,106	4,391	603	4,994

(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 eight of our landfills during 2011 and 13 of our landfills during 2010, 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.

The tons received at our landfills in 2011 and 2010 are shown below (tons in thousands):

	2011			2010		
	of Sites	Total Tons	Tons per Day	of Sites	Total Tons	Tons per Day
Solid waste landfills	266(a)	91,130	334	266	91,863	336
Hazardous waste landfills	5	599	2	5	667	2
	271	91,729	336	271	92,530	338
Solid waste landfills closed or divested during related year	1	49		3	295	
		91,778(b)			92,825(b)	

(a) In 2011, we developed one landfill and closed one landfill.

(b) These amounts include 1.4 million tons at December 31, 2011 and 1.7 million tons at December 31, 2010 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, 2011, our closed sites management group managed 207 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, 2011 and 2010, and summarizes significant changes in these amounts during 2011 (in millions):

	Cost Basis of Landfill Assets	Accumulated Landfill Airspace Amorti ation	Landfill Assets
December 31, 2010	$ 12,777	$ (6,792)	$ 5,985
Capital additions	398	—	398
Asset retirement obligations incurred and capitalized	49	—	49
Acquisitions	—	—	—
Amortization of landfill airspace	—	(378)	(378)
Foreign currency translation	(32)	8	(24)
Asset retirements and other adjustments	(252)	231	(21)
December 31, 2011	$ 12,940	$ (6,931)	$ 6,009

As of December 31, 2011, we estimate that we will spend approximately $400 million in 2012, and approximately $1 billion in 2013 and 2014 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.

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, 2011 and 2010, and summarizes significant changes in these amounts during 2011 (in millions):

	Landfill	En ironmental Remediation
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	(30)	23
Acquisitions, divestitures and other adjustments	3	(3)
December 31, 2011	$ 1,292	$ 273

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):

	Years Ended December 31,		
	2011	2010	2009
Interest accretion on landfill liabilities	$ 84	$ 82	$ 80
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	23	8	(30)
Leachate and methane collection and treatment	76	64	69
Landfill remediation costs	—	63	23
Other landfill site costs	72	77	80
Total landfill operating costs	$ 255	$ 294	$ 222

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 2011, we had a favorable revision to an environmental remediation liability at a closed site based on the estimated cost of the remediation alternative selected by the EPA.

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

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,		
	2011	2010	2009
Amortization of landfill airspace (in millions)	$ 378	$ 372	$ 358
Tons received, net of redirected waste (in millions)	90	91	92
Average landfill airspace amortization expense per ton	$ 4.19	$ 4.08	$ 3.90

Different per-ton amortization rates are applied at each of our 271 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, 2011, 2010 and 2009 has also been affected by 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 $11 million in 2011, $13 million in 2010 and $14 million in 2009, 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.

Li uidity 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 our capital allocation program that provides for dividend payments and share repurchases.

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, 2011 and 2010 (in millions):

	2011	2010
Cash and cash equivalents	$ 258	$ 539
Restricted trust and escrow accounts:		
Final capping, closure, post-closure and environmental remediation funds	$ 123	$ 124
Tax-exempt bond funds	14	14
Other	15	8
Total restricted trust and escrow accounts	$ 152	$ 146
Debt:		
Current portion	$ 631	$ 233
Long-term portion	9,125	8,674
Total debt	$ 9,756	$ 8,907
Increase in carrying value of debt due to hedge accounting for interest rate swaps	$ 102	$ 79

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 (i) funds deposited for purposes of settling landfill final capping, closure, post-closure and environmental remediation obligations; and (ii) funds received from the issuance of tax-exempt bonds held in trust for the construction of various projects or facilities. 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 also use other instruments and facilities when appropriate. The components of our long-term borrowings as of December 31, 2011 are described in Note 7 to the Consolidated Financial Statements.

Changes in our outstanding debt balances from December 31, 2010 to December 31, 2011 were primarily due to (i) net debt borrowings of $698 million; (ii) $100 million in non-cash proceeds from tax-exempt borrowings; 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, 2011, we had (i) $925 million of debt maturing within twelve months, including $150 million of borrowings outstanding under our revolving credit facility, U.S.$137 million of advances outstanding under our Canadian credit facility, $400 million of 6.375% senior notes that mature in November 2012 and $168 million of tax-exempt bonds and (ii) $305 million of fixed-rate tax-exempt borrowings subject to re-pricing within the next twelve months. Under accounting principles generally accepted in the United States, this debt must be classified as current unless we have the intent and ability to refinance it on a long-term basis. We have the intent and ability to refinance $599 million of this debt on a long-term basis and have classified the remaining $631 million as current obligations as of December 31, 2011. In January 2012, we borrowed an additional $50 million under our revolving credit facility, increasing the total loans outstanding under our revolving credit facility to $200 million.

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:

	2011	2010
Revolving credit facility(a)	$ 1,012	$ 1,138
Letter of credit facilities(b)	502	505
Other(c)	251	237
	$ 1,765	$ 1,880

(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, 2011, we had $150 million of outstanding borrowings and $1,012 million of letters of credit issued and supported by the facility, leaving an unused and available credit capacity of $838 million.

(b) As of December 31, 2011, 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, 2011, no borrowings were outstanding under these letter of credit facilities and we had $3 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):

	2011	2010	2009
Net cash provided by operating activities	$ 2,469	$ 2,275	$ 2,362
Net cash used in investing activities	$ (2,185)	$ (1,606)	$ (1,250)
Net cash used in financing activities	$ (566)	$ (1,273)	$ (457)

Net Cash Provided by Operating Activities — The most significant items affecting the comparison of our operating cash flows in 2011 as compared with 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, is 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.

The most significant items affecting the comparison of our operating cash flows for 2010 and 2009 are summarized below:

Increase in earnings — Our income from operations increased by $229 million on a year-over-year basis, driven, in part, by a favorable cash benefit of $77 million resulting from a litigation settlement in April 2010. This earnings increase was also impacted by (i) the recognition of a $51 million non-cash charge associated with the abandonment of licensed revenue management software and (ii) the recognition of a $27 million non-cash charge in 2009 as a result of a change in expectations for the future operations of an inactive landfill in California.

The comparison of our 2010 and 2009 income from operations was also affected by a $91 million increase in non-cash charges attributable to (i) equity-based compensation expense; (ii) interest accretion on landfill liabilities; (iii) interest accretion and discount rate adjustments on environmental remediation liabilities and recovery assets; (iv) depreciation and amortization; and (v) the impact of the withdrawal of certain bargaining units from multiemployer pension plans. While these increases in non-cash charges unfavorably affected our earnings comparison, there was no impact on net cash provided by operating activities.

Changes in assets and liabilities, net of effects from business acquisitions and divestitures — Our cash flow from operations was negatively impacted in 2010 and favorably impacted in 2009, 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. Additionally, the following are other significant items that affected our cash flow from operations:

Increased income tax payments — Cash paid for income taxes, net of excess tax benefits associated with equity-based transactions, was approximately $86 million higher on a year-over-year basis. The comparability of our effective tax rates is discussed in the *Provision for income taxes* section above.

Increased interest payments — Cash paid for interest was approximately $61 million higher on a year-over-year basis. This increase was primarily due to (i) the issuance of an additional $600 million of senior notes in November 2009 to support acquisitions and investments made throughout 2010; (ii) significantly higher costs related to the execution and maintenance of our revolving credit facility, which was refinanced in June 2010; and (iii) a decrease in benefits to interest expense provided by active interest rate swaps as a result of decreases in the notional amount of swaps outstanding.

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.

Liquidation of a foreign subsidiary — We received a $65 million federal tax refund in the third quarter of 2010 related to the liquidation of a foreign subsidiary in 2009. The cash proceeds were classified as a change in other current assets within "Net cash provided by operating activities" in the Consolidated Statement of Cash Flows.

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 $1,324 million during 2011 for capital expenditures, compared with $1,104 million in 2010 and $1,179 million in 2009. The increase in capital expenditures in 2011 is a result of our increased spending on natural gas vehicles and fueling infrastructure, information technology infrastructure and growth initiatives, as well as our taking advantage of the bonus depreciation legislation. The year-over-year comparison of 2011 with 2010 was also affected by timing differences associated with cash payments for the previous years' fourth quarter capital spending. Approximately $206 million of our fourth quarter 2010 spending was paid in cash in the first quarter of 2011 compared with approximately $145 million of our fourth quarter 2009 spending that was paid in the first quarter of 2010.

Acquisitions — Our spending on acquisitions increased from $281 million during 2009 to $407 million in 2010 and to $867 million in 2011. During the third quarter of 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 through a nationwide network of third-party haulers. During the second quarter of 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 contribute to improved future results of operations and enhance and expand our existing service offerings.

Investments in unconsolidated entities — 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 Shanghai Environment Group, a subsidiary of Shanghai Chengtou 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 $107 million to our investing activities in 2011 compared with $48 million in 2010 and $196 million in 2009. The significant decrease in cash received from our restricted trust and escrow accounts during 2010 was due to a decrease in tax-exempt borrowings.

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 — Our 2011, 2010 and 2009 share repurchases and dividend payments have been made in accordance with capital allocation programs approved by our Board of Directors.

We paid $575 million for share repurchases in 2011, compared with $501 million in 2010 and $226 million in 2009. We repurchased approximately 17 million, 15 million and 7 million shares of our common stock in 2011, 2010 and 2009, respectively. We did not repurchase shares during the first half of 2009 given the state of the economy and the financial markets. In the second half of 2009, we resumed repurchases of our common stock following improvements in the economy and capital markets.

We paid an aggregate of $637 million in cash dividends during 2011, compared with $604 million in 2010 and $569 million in 2009. The increase in dividend payments is due to our quarterly per share dividend increasing from $0.29 in 2009, to $0.315 in 2010 and to $0.34 in 2011, and has been offset in part by a reduction in our common stock outstanding as a result of our share repurchase programs.

In December 2011, we announced that our Board of Directors expects to increase the per share quarterly dividend from $0.34 to $0.355 for dividends declared in 2012. 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. In December 2011, the Board of Directors approved up to $500 million in share repurchases for 2012. However, 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 $45 million of financing cash inflows during 2011 compared with $54 million during 2010 and $20 million during 2009.

Net debt repayments — Net debt borrowings were $698 million in 2011, net debt repayments were $204 million in 2010 and net debt borrowings were $414 million in 2009. The following summarizes our most significant cash borrowings and debt repayments made during each year (in millions):

	Years Ended December 31,		
	2011	2010	2009
Borrowings:			
Revolving credit facility(a)	$ 150	$ —	$ —
Canadian credit facility	137	316	364
Senior notes	893	592	1,385
Capital leases and other	21	—	—
	$ 1,201	$ 908	$ 1,749
Repayments:			
Revolving credit facility(a)	$ —	$ —	$ (310)
Canadian credit facility	(214)	(372)	(395)
Senior notes	(147)	(600)	(500)
Tax exempt bonds	(25)	(52)	(65)
Tax exempt project bonds	(30)	(39)	(39)
Capital leases and other debt	(87)	(49)	(26)
	$ (503)	$ (1,112)	$ (1,335)
Net borrowings (repayments)	$ 698	$ (204)	$ 414

(a) Due to the short-term maturities of the borrowings under the revolving credit facility, we have reported these cash flows on a net basis in the Consolidated Statement of Cash Flows in accordance with accounting principles generally accepted in the U.S.

This summary excludes the impacts of non-cash borrowings and debt repayments. For the years ended December 31, 2011 and 2009, these non-cash financing activities were primarily associated with our tax-exempt bond financings. Proceeds from tax-exempt bond issuances, net of principal repayments made directly from trust funds, were $100 million and $105 million, respectively. 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 $46 million in 2011 and $50 million in 2009 while net cash provided from 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, 2011 and the anticipated effect of these obligations on our liquidity in future years (in millions):

	2012	2013	2014	2015	2016	Thereafter	Total
Recorded Obligations:							
Expected environmental liabilities(a)							
Final capping, closure and post-closure	$ 123	$ 98	$ 86	$ 114	$ 95	$ 1,993	$ 2,509
Environmental remediation	38	26	27	24	12	138	265
	161	124	113	138	107	2,131	2,774
Debt payments(b),(c),(d)	918	210	460	455	696	6,924	9,663
Unrecorded Obligations:(e)							
Non-cancelable operating lease obligations	91	77	68	56	45	238	575
Estimated unconditional purchase obligations(f)	148	143	47	36	29	237	640
Anticipated liquidity impact as of December 31, 2011	$ 1,318	$ 554	$ 688	$ 685	$ 877	$ 9,530	$ 13,652

(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, 2011 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, 2011 include $305 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, 2011, 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.

Liquidity Impacts of Uncertain Tax Positions

As discussed in Note 9 of our Consolidated Financial Statements, 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 do not believe that the ultimate settlement of our obligations will materially affect our liquidity.

Off-Balance Sheet Arrangements

We are party to guarantee arrangements with unconsolidated entities as discussed in the *Guarantees* section of Note 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, 2011 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, 2011, over 17% 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.

New Accounting Pronouncements

Fair Value Measurements — 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. The amendments to authoritative guidance associated with fair value measurements were effective for the Company on January 1, 2012 and are to be applied prospectively. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements.

Item 7A. uantitati e and ualitati e Disclosures about Mar et Ris .

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, 2011, 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.

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, 2011, we had $9.7 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 $2.2 billion of our outstanding debt obligations are subject to change during 2012. The most significant components of our variable-rate debt obligations are (i) $1 billion of "receive fixed, pay variable" interest rate swaps associated with outstanding fixed-rate senior notes; (ii) $611 million of tax-exempt bonds that are subject to re-pricing on either a daily or weekly basis through a remarketing process; (iii) $305 million of tax-exempt bonds with term interest rate periods that are subject to re-pricing within twelve months; (iv) $150 million of borrowings outstanding under our $2.0 billion revolving credit facility; and

(v) U.S.$137 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 2012 interest expense by approximately $18 million. As of December 31, 2010, the effective interest rates of approximately $1.8 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, 2011, we had forward-starting interest rate swaps with a notional amount of $375 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 $805 million at December 31, 2011.

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, 2011. 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 2011, approximately 54% 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 2012. 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.

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.

Item . ***Financial Statements and Supplementary Data.***

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CONSOLIDATED FINANCIAL STATEMENTS

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MANAGEMENT S REPORT ON INTERNAL CONTROL O ER 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, 2011 based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has excluded from its assessment the internal controls of Oakleaf Global Holdings, which was acquired in July 2011 and, excluding goodwill, accounted for approximately 1% of our consolidated total assets at December 31, 2011 and 2% of our consolidated total operating revenues for the year ended December 31, 2011. Based on its assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2011.

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.

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, 2011, 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Oakleaf Global Holdings, which is included in the 2011 consolidated financial statements of Waste Management, Inc. and, excluding goodwill, constituted 1% of consolidated total assets as of December 31, 2011 and 2% of consolidated total operating revenues for the year then ended. Our audit of internal control over financial reporting of Waste Management, Inc. also did not include an evaluation of the internal control over financial reporting of Oakleaf Global Holdings.

In our opinion, Waste Management, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, 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, 2011 and 2010, and the related consolidated statements of operations, cash flows, and changes in equity for each of the three years in the period ended December 31, 2011, and our report dated February 16, 2012 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Houston, Texas
February 16, 2012

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, 2011 and 2010, and the related consolidated statements of operations, cash flows, and changes in equity for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, 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 16, 2012 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Houston, Texas
February 16, 2012

WASTE MANAGEMENT, INC.

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

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 258	$ 539
Accounts receivable, net of allowance for doubtful accounts of $29 and $26, respectively	1,631	1,510
Other receivables	144	146
Parts and supplies	153	130
Deferred income taxes	78	40
Other assets	115	117
Total current assets	2,379	2,482
Property and equipment, net of accumulated depreciation and amortization of $15,308 and $14,690, respectively	12,242	11,868
Goodwill	6,215	5,726
Other intangible assets, net	457	295
Investments in unconsolidated entities	637	471
Other assets	639	634
Total assets	$ 22,569	$ 21,476
LIABILITIES AND E UITY		
Current liabilities:		
Accounts payable	$ 838	$ 692
Accrued liabilities	1,129	1,100
Deferred revenues	470	460
Current portion of long-term debt	631	233
Total current liabilities	3,068	2,485
Long-term debt, less current portion	9,125	8,674
Deferred income taxes	1,884	1,662
Landfill and environmental remediation liabilities	1,404	1,402
Other liabilities	698	662
Total liabilities	16,179	14,885
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	4,561	4,528
Retained earnings	6,721	6,400
Accumulated other comprehensive income	172	230
Treasury stock at cost, 169,749,709 and 155,235,711 shares, respectively	(5,390)	(4,904)
Total Waste Management, Inc. stockholders' equity	6,070	6,260
Noncontrolling interests	320	331
Total equity	6,390	6,591
Total liabilities and equity	$ 22,569	$ 21,476

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, 2011	2010	2009
Operating revenues:			
Service revenues	$ 11,852	$ 11,371	$ 11,093
Tangible product revenues	1,526	1,144	698
Total operating revenues	13,378	12,515	11,791
Costs and expenses:			
Operating costs (exclusive of depreciation and amortization shown below):			
Cost of services	7,254	6,854	6,620
Cost of tangible products	1,287	970	621
Total operating costs	8,541	7,824	7,241
Selling, general and administrative	1,551	1,461	1,364
Depreciation and amortization	1,229	1,194	1,166
Restructuring	19	(2)	50
(Income) expense from divestitures, asset impairments and unusual items	10	(78)	83
	11,350	10,399	9,904
Income from operations	2,028	2,116	1,887
Other income (expense):			
Interest expense	(481)	(473)	(426)
Interest income	8	4	13
Equity in net losses of unconsolidated entities	(31)	(21)	(2)
Other, net	(4)	5	1
	(508)	(485)	(414)
Income before income taxes	1,520	1,631	1,473
Provision for income taxes	511	629	413
Consolidated net income	1,009	1,002	1,060
Less: Net income attributable to noncontrolling interests	48	49	66
Net income attributable to Waste Management, Inc.	$ 961	$ 953	$ 994
Basic earnings per common share	$ 2.05	$ 1.98	$ 2.02
Diluted earnings per common share	$ 2.04	$ 1.98	$ 2.01
Cash dividends declared per common share	$ 1.36	$ 1.26	$ 1.16

See notes to Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Years Ended December 31,		
	2011	2010	2009
Cash flows from operating activities:			
Consolidated net income	$ 1,009	$ 1,002	$ 1,060
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	1,229	1,194	1,166
Deferred income tax (benefit) provision	198	154	(94)
Interest accretion on landfill liabilities	84	82	80
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	23	8	(30)
Provision for bad debts	44	41	48
Equity-based compensation expense	45	36	30
Net gain from disposal of assets	(24)	(22)	(13)
Excess tax benefits associated with equity-based transactions	(8)	(9)	(4)
Effect of (income) expense from divestitures, asset impairments and unusual items	10	(1)	83
Equity in net losses of unconsolidated entities, net of dividends	31	20	2
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(110)	(159)	29
Other current assets	(23)	47	(4)
Other assets	28	(3)	20
Accounts payable and accrued liabilities	65	(57)	51
Deferred revenues and other liabilities	(132)	(58)	(62)
Net cash provided by operating activities	2,469	2,275	2,362
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(867)	(407)	(281)
Capital expenditures	(1,324)	(1,104)	(1,179)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	36	44	28
Net receipts from restricted trust and escrow accounts	107	48	196
Investments in unconsolidated entities	(155)	(173)	(21)
Other	18	(14)	7
Net cash used in investing activities	(2,185)	(1,606)	(1,250)
Cash flows from financing activities:			
New borrowings	1,201	908	1,749
Debt repayments	(503)	(1,112)	(1,335)
Common stock repurchases	(575)	(501)	(226)
Cash dividends	(637)	(604)	(569)
Exercise of common stock options	45	54	20
Excess tax benefits associated with equity-based transactions	8	9	4
Distributions paid to noncontrolling interests	(59)	(45)	(50)
Other	(46)	18	(50)
Net cash used in financing activities	(566)	(1,273)	(457)
Effect of exchange rate changes on cash and cash equivalents	1	3	5
Increase (decrease) in cash and cash equivalents	(281)	(601)	660
Cash and cash equivalents at beginning of year	539	1,140	480
Cash and cash equivalents at end of year	$ 258	$ 539	$ 1,140

See notes to Consolidated Financial Statements.

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WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN E UITY
(In Millions, Except Shares in Thousands)

			Waste Management, Inc. Stoc holders E uity							
			Common Stoc				Accumulated Other Comprehensi e Income	Treasury Stoc		
	Total	Comprehensi e Income	Shares	Amounts	Additional Paid-In Capital	Retained Earnings	(Loss)	Shares	Amounts	Noncontrolling Interests
Balance, December 31, 2008	$6,185		630,282	$ 6	$ 4,558	$ 5,631	$ 88	(139,547)	$ (4,381)	$ 283
Comprehensive Income:										
Consolidated net income	1,060	$ 1,060	—	—	—	994	—	—	—	66
Other comprehensive income (loss), net of taxes:										
Unrealized losses resulting from changes in fair value of derivative instruments, net of taxes of $13	(21)	(21)	—	—	—	—	(21)	—	—	—
Realized losses on derivative instruments reclassified into earnings, net of taxes of $21	32	32	—	—	—	—	32	—	—	—
Unrealized gains on available-for-sale securities, net of taxes of $2	10	10	—	—	—	—	4	—	—	6
Foreign currency translation adjustments	99	99	—	—	—	—	99	—	—	—
Change in funded status of post-retirement benefit obligations, net of taxes of $4	6	6	—	—	—	—	6	—	—	—
Other comprehensive income (loss)	126	126								
Comprehensive income	1,186	$ 1,186								
Cash dividends declared	(569)		—	—	—	(569)	—	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	64		—	—	(15)	(3)	—	2,610	82	—
Common stock repurchases	(226)		—	—	—	—	—	(7,237)	(226)	—
Distributions paid to noncontrolling interests	(50)		—	—	—	—	—	—	—	(50)
Other	1		—	—	—	—	—	12	—	1
Balance, December 31, 2009	$6,591		630,282	$ 6	$ 4,543	$ 6,053	$ 208	(144,162)	$ (4,525)	$ 306
Comprehensive Income:										
Consolidated net income	1,002	$ 1,002	—	—	—	953	—	—	—	49
Other comprehensive income (loss), net of taxes:										
Unrealized losses resulting from changes in fair value of derivative instruments, net of taxes of $28	(43)	(43)	—	—	—	—	(43)	—	—	—
Realized losses on derivative instruments reclassified into earnings, net of taxes of $12	18	18	—	—	—	—	18	—	—	—
Unrealized gains on available-for-sale securities, net of taxes of $2	3	3	—	—	—	—	3	—	—	—
Foreign currency translation adjustments	49	49	—	—	—	—	49	—	—	—
Change in funded status of post-retirement benefit obligations, net of taxes of $3	(5)	(5)	—	—	—	—	(5)	—	—	—
Other comprehensive income (loss)	22	22								
Comprehensive income	1,024	$ 1,024								
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

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WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN E UITY (Continued)
(In Millions, Except Shares in Thousands)

			Waste Management, Inc. Stoc holders E uity							
			Common Stoc			Retained	Accumulated Other Comprehensi e Income	Treasury Stoc		
	Total	Comprehensi e Income	Shares	Amounts	Additional Paid-In Capital	Earnings	(Loss)	Shares	Amounts	Noncontrolling Interests
Balance, December 31, 2010	$6,591		630,282	$ 6	$ 4,528	$ 6,400	$ 230	(155,236)	$ (4,904)	$ 331
Comprehensive Income:										
Consolidated net income	1,009	$ 1,009	—	—	—	961	—	—	—	48
Other comprehensive income (loss), net of taxes:										
Unrealized losses resulting from changes in fair value of derivative instruments, net of taxes of $20	(30)	(30)	—	—	—	—	(30)	—	—	—
Realized losses on derivative instruments reclassified into earnings, net of taxes of $1	1	1	—	—	—	—	1	—	—	—
Unrealized losses on available-for-sale securities, net of taxes of $2	(3)	(3)	—	—	—	—	(3)	—	—	
Foreign currency translation adjustments	(18)	(18)	—	—	—	—	(18)	—	—	—
Change in funded status of post-retirement benefit obligations, net of taxes of $5	(8)	(8)	—	—	—	—	(8)	—	—	—
Other comprehensive income (loss)	(58)	(58)								
Comprehensive income	951	$ 951								
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

See notes to Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2011, 2010 and 2009

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. Our subsidiaries provide collection, transfer, recycling, and disposal services. We are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. Our customers include residential, commercial, industrial, and municipal customers throughout North America.

We currently manage and evaluate our principal operations through five Groups. Our four geographic operating Groups, which are comprised of our Eastern, Midwest, Southern and Western Groups, provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services. Our fifth Group is the Wheelabrator Group, which 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 five Groups, including the operations of Oakleaf Global Holdings and its primary operations ("Oakleaf") acquired on July 28, 2011, 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

Goodwill Impairment Testing — In September 2011, the Financial Accounting Standards Board ("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.

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 based on generally accepted methods. 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 geographically diverse customers we service. At December 31, 2011 and 2010, 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 collectibility of those 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.

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.

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, 2011, 2010 and 2009, 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, 2011 is between 5.5% 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 4.5% to liabilities incurred in the first quarter of 2012.

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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the years ended December 31, 2011, 2010 and 2009, 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 $11 million, $13 million and $14 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 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 principal financial officer and a review by the Audit Committee of our Board of Directors on a quarterly basis. Of the 33 landfill sites with expansions at December 31, 2011, 11 landfills required the principal financial officer to approve the inclusion of the unpermitted airspace. Seven of these landfills required approval by our principal financial officer because of community or political opposition that could impede the expansion process. The remaining four landfills required approval primarily 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.

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;
- 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 investigation of the extent of environmental impact and identification of likely site-remediation alternatives. In these cases, we use the amount within a range that constitutes our best estimate. If no amount within the 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 $150 million higher than the $273 million recorded in the Consolidated Financial Statements as of December 31, 2011. 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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2011 and 2010) 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,		
	2011	2010	2009
Charge (reduction) to Operating expenses(a)	$ 17	$ 2	$ (35)
Risk-free discount rate applied to environmental remediation liabilities and recovery assets	2.00%	3.50%	3.75%

(a) In 2009, $9 million of the reduction in "Operating" expenses was attributable to noncontrolling interests.

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 $48 million at December 31, 2011 and $81 million at December 31, 2010. Had we not inflated and discounted any portion of our environmental remediation liability, the amount recorded would have decreased by $8 million at December 31, 2011 and increased by $15 million at December 31, 2010.

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.

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

	Useful Li es
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, 2011, capitalized costs for software placed in service, net of accumulated depreciation, were $112 million. In addition, our furniture, fixtures and office equipment includes

$27 million as of December 31, 2011 and $51 million as of December 31, 2010 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, 2011 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.

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. For acquisitions completed beginning in 2009, 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. For acquisitions completed before 2009, these obligations were recognized as incurred and accounted for as an adjustment to the initial purchase price of the acquired assets.

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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Beginning in 2009, all acquisition-related transaction costs have been expensed as incurred. For acquisitions completed before 2009, direct costs incurred for a business combination were accounted for as part of the cost of the acquired business.

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 lists, 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 cost and are generally amortized using either a 150% declining balance approach or a straight-line basis as we determine appropriate. Customer contracts and customer lists 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 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, 2011, three of our landfill sites in two jurisdictions in the Company's Midwest Group, for which we believe receipt of expansion permits is probable, had ceased accepting waste. The net recorded capitalized landfill asset cost for these three sites was $469 million at December 31, 2011. 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 and Other Indefinite-Lived Intangible Assets — At least annually, and more frequently if warranted, we assess our goodwill and indefinite-lived intangible assets for impairment.

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 each 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 an income approach or a combination of the income approach and market approach when applicable. The income approach is based on the long-term projected future cash flows of our 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 our 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 our 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.

We assess whether other indefinite-lived intangible asset impairments exist by comparing the fair value of the asset with its carrying value. Fair value is typically estimated using an income approach for the respective asset, as described above. If the carrying value exceeds estimated fair value, an impairment would be recognized in the amount of the excess.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Trust and Escrow Accounts

As of December 31, 2011, our restricted trust and escrow accounts consist principally of (i) funds deposited for purposes of settling landfill final capping, closure, post-closure and environmental remediation obligations; and (ii) funds received from the issuance of tax-exempt bonds held in trust for the construction of various projects or facilities. As of December 31, 2011 and 2010, we had $152 million and $146 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.

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 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 affiliates 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 majority of our investments are accounted for under the equity method.

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 cash transactions 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.

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 2011, 2010 or 2009.

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. The impacts of our use of interest rate derivatives on the carrying value of our debt, accumulated other comprehensive income and interest expense are discussed in Note 8.

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. The financial statement impacts of our foreign currency derivatives are discussed in Note 8.

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. The financial statement impacts of our electricity commodity derivatives are discussed in Note 8.

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.

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 2011, 2010 and 2009, total interest costs were $503 million, $490 million and $443 million, respectively, of which $22 million was capitalized in 2011 and $17 million was capitalized in both 2010 and 2009. In 2011 and 2010, interest was capitalized primarily for landfill construction costs and landfill gas-to-energy construction projects. The interest capitalized in 2009 was primarily for landfill construction costs.

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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Years Ended December 31,		
Cash paid during the year (in millions):	**2011**	**2010**	**2009**
Interest, net of capitalized interest and periodic settlements from interest rate swap agreements	$ 470	$ 477	$ 416
Income taxes	306	547	466

For the years ended December 31, 2011 and 2009, non-cash activities included proceeds from tax-exempt borrowings, net of principal payments made directly from trust funds, of $100 million and $105 million, respectively. 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 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 En ironmental Remediation Liabilities

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

	December 31, 2011			December 31, 2010		
		En ironmental			En ironmental	
	Landfill	**Remediation**	**Total**	**Landfill**	**Remediation**	**Total**
Current (in accrued liabilities)	$ 123	$ 38	$ 161	$ 105	$ 43	$ 148
Long-term	1,169	235	1,404	1,161	241	1,402
	$ 1,292	$ 273	$ 1,565	$ 1,266	$ 284	$ 1,550

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes to landfill and environmental remediation liabilities for the years ended December 31, 2010 and 2011 are reflected in the table below (in millions):

	Landfill	En ironmental Remediation
December 31, 2009	$ 1,267	$ 256
Obligations incurred and capitalized	47	—
Obligations settled	(86)	(36)
Interest accretion	82	5
Revisions in cost estimates and interest rate assumptions(a)(b)	(49)	61
Acquisitions, divestitures and other adjustments	5	(2)
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	$ 1,292	$ 273

(a) The amounts reported for our landfill liabilities include reductions of approximately $50 million and $30 million for 2010 and 2011, respectively, related to our year-end annual review of final landfill capping, closure and post-closure obligations.

(b) The amount reported in 2010 for our environmental remediation liabilities includes increased 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 the required obligation to reflect the more likely remedies. Additionally, during 2010, the risk-free discount rate used to measure our liabilities decreased from 3.75% at December 31, 2009 to 3.5% at December 31, 2010, resulting in an increase of $5 million to our environmental remediation liabilities and a corresponding increase to "Operating" expenses.

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.

Our recorded liabilities as of December 31, 2011 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 $38 million in 2012; $26 million in 2013; $27 million in 2014; $24 million in 2015; $12 million in 2016; and $138 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 and we are the sole beneficiary of the 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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The fair value of trust funds and escrow accounts for which we are the sole beneficiary was $123 million at December 31, 2011 and $124 million as of December 31, 2010. These amounts are included in long-term "Other assets" in our Consolidated Balance Sheet. Our portion of the trusts that have been established for the benefit of both the Company and the host community in which we operate had an aggregate carrying value of $107 million at December 31, 2011 and $103 million at December 31, 2010. These amounts are included in "Other receivables" and as long-term "Other assets" in our Consolidated Balance Sheet.

5. Property and E uipment

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

	2011	2010
Land	$ 663	$ 651
Landfills	12,940	12,777
Vehicles	3,705	3,588
Machinery and equipment	3,731	3,454
Containers	2,392	2,277
Buildings and improvements	3,273	3,064
Furniture, fixtures and office equipment	846	747
	27,550	26,558
Less accumulated depreciation on tangible property and equipment	(8,377)	(7,898)
Less accumulated landfill airspace amortization	(6,931)	(6,792)
	$ 12,242	$ 11,868

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):

	2011	2010	2009
Depreciation of tangible property and equipment	$ 800	$ 781	$ 779
Amortization of landfill airspace	378	372	358
Depreciation and amortization expense	$ 1,178	$ 1,153	$ 1,137

6. Goodwill and Other Intangible Assets

Goodwill was $6,215 million as of December 31, 2011 compared with $5,726 million as of December 31, 2010. The $489 million increase in goodwill during 2011 was primarily related to consideration paid for acquisitions in excess of identifiable net assets acquired of $497 million, which includes $327 million related to our July 2011 acquisition of Oakleaf as discussed in Note 19, partially offset by foreign currency translation and other adjustments.

We incurred no impairment of goodwill as a result of our annual, fourth quarter goodwill impairment tests in 2011, 2010 or 2009. 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, 2010 or 2009. However, there can be no assurance that goodwill will not be impaired at any time in the future.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our other intangible assets as of December 31, 2011 and 2010 were comprised of the following (in millions):

	Customer Contracts and Customer Lists	Co enants Not-to-Compete	Licenses, Permits and Other	Total
December 31, 2011:				
Intangible assets	$ 392	$ 91	$ 161	$ 644
Less accumulated amortization	(119)	(41)	(27)	(187)
	$ 273	$ 50	$ 134	$ 457
December 31, 2010:				
Intangible assets	$ 228	$ 64	$ 147	$ 439
Less accumulated amortization	(87)	(31)	(26)	(144)
	$ 141	$ 33	$ 121	$ 295

Amortization expense for other intangible assets was $51 million for 2011, $41 million for 2010, and $29 million for 2009. At December 31, 2011, we had $62 million of intangible assets that are not subject to amortization, which are primarily operating permits that do not have stated expirations or that have routine, administrative renewal processes. Additional information related to intangible assets acquired through 2011 business combinations is included in Note 19. As of December 31, 2011, expected annual amortization expense related to intangible assets is $66 million in 2012; $58 million in 2013; $48 million in 2014; $42 million in 2015; and $37 million in 2016.

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, 2011:

	2011	2010
Revolving credit facility (interest rate of 1.5% at December 31, 2011)	$ 150	$ —
Letter of credit facilities	—	—
Canadian credit facility (weighted average effective interest rate of 1.8% at December 31, 2011 and 2.2% at December 31, 2010)	137	212
Senior notes and debentures, maturing through 2039, interest rates ranging from 2.60% to 7.75% (weighted average interest rate of 6.0% at December 31, 2011 and 6.5% at December 31, 2010)	6,228	5,452
Tax-exempt bonds maturing through 2041, fixed and variable interest rates ranging from 0.1% to 7.4% (weighted average interest rate of 3.1% at December 31, 2011 and 2010)	2,771	2,696
Tax-exempt project bonds, maturing through 2029, fixed and variable interest rates ranging from 0.1% to 3.4% (weighted average interest rate of 1.3% at December 31, 2011 and 2.5% at December 31, 2010)	86	116
Capital leases and other, maturing through 2055, interest rates up to 12%	384	431
Total long-term debt	$9,756	$8,907
Current portion of long-term debt	631	233
Long-term debt, less current portion	$9,125	$8,674

Debt Classification

As of December 31, 2011, we had (i) $925 million of debt maturing within twelve months, including $150 million of borrowings outstanding under the revolving credit facility, U.S.$137 million of advances outstanding under our Canadian credit facility, $400 million of 6.375% senior notes that mature in November 2012 and $168 million of tax-exempt bonds and (ii) $305 million of fixed-rate tax-exempt borrowings subject to re-pricing within the next twelve months. Under accounting principles generally accepted in the United States, this debt must be classified as current unless we have the intent and ability to refinance it on a long-term basis. We have the intent and ability to refinance $599 million of this debt on a long-term basis and have classified the remaining $631 million as current obligations as of December 31, 2011.

As of December 31, 2011, we also have $565 million of variable-rate tax-exempt bonds and $46 million of variable-rate tax-exempt project 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, 2011 because the borrowings are supported by letters of credit issued under our five-year, $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, 2011, we had $150 million of outstanding borrowings and $1,012 million of letters of credit issued and supported by the facility. The unused and available credit capacity of the facility was $838 million as of December 31, 2011.

Letter of Credit Facilities — As of December 31, 2011, 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 bonding and 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, 2011, we had not experienced any unreimbursed draws on letters of credit under these facilities. As of December 31, 2011, no borrowings were outstanding under these letter of credit facilities and we had $3 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. The agreement provided for an initial credit capacity of C$340 million and matures in November 2012. At December 31, 2011, we had U.S.$137 million of borrowings outstanding under this credit facility.

Debt Borrowings and Repayments

The significant changes in our debt balances from December 31, 2010 to December 31, 2011 are related to the following:

Revolving Credit Facility — During the third quarter of 2011, we borrowed $100 million under our revolving credit facility in connection with our acquisition of Oakleaf, which is discussed further in Note 19. These borrowings were repaid with proceeds from our August 2011 issuance of senior notes. The $150 million of borrowings outstanding as of December 31, 2011 were incurred for general corporate purposes, including additions to working capital, capital expenditures and the funding of acquisitions and investments. We borrowed another $50 million under our revolving credit agreement in January, bringing the total outstanding as of the date of this filing to $200 million. We currently expect to repay these borrowings during 2012 with cash flow generated by our operations. Due to the short-term maturities of these borrowings, we have reported these cash flows on a net basis in the Consolidated Statement of Cash Flows in accordance with accounting principles generally accepted in the U.S.

Canadian Credit Facility — A total of U.S.$77 million of net advances under the facility matured during 2011 and were repaid with available cash.

Senior Notes — In February 2011, we issued $400 million of 4.60% senior notes due March 2021. The net proceeds from the debt issuance were $396 million. We used a portion of the proceeds to repay $147 million of 7.65% senior notes that matured in March 2011. In August 2011, we issued $500 million of 2.60% senior notes due September 2016. The net proceeds from the debt issuance were $497 million. A portion of the proceeds was used to repay the $100 million borrowing under our $2.0 billion revolving credit facility, which is discussed above, and the remainder was incurred for general corporate purposes, including additions to working capital, capital expenditures and the funding of acquisitions and investments.

The remaining change in the carrying value of our senior notes from December 31, 2010 to December 31, 2011 is principally due to accounting for our fixed-to-floating interest rate swap agreements, which are accounted for as fair value hedges resulting in all fair value adjustments being reflected as a component of the carrying value of the underlying debt. Refer to Note 8 for additional information regarding our interest rate derivatives.

Tax-Exempt Bonds — During the year ended December 31, 2011, we issued $100 million of tax-exempt bonds, which are used as a means of accessing low-cost financing for capital expenditures. The proceeds from these debt issuances may only be used for the specific purpose for which the money was raised, which is generally to finance expenditures for landfill construction and development. We repaid $25 million of our tax-exempt bonds with available cash during the year ended December 31, 2011. Additional information related to the presentation of these borrowings in the Consolidated Statement of Cash Flows is discussed in Note 3.

Tax-Exempt Project Bonds — In the past, our Wheelabrator Group used tax-exempt project bonds to finance the development of waste-to-energy facilities. During the year ended December 31, 2011, we repaid $30 million of our tax-exempt project bonds with available cash.

Capital Leases and Other — The decrease in our capital leases and other debt obligations is primarily due to the repayment of $87 million of various borrowings upon their scheduled maturities, net of new leases and borrowings of $48 million.

Scheduled Debt Payments — Scheduled principal payments of our debt and capital leases for the next five years are as follows: $918 million in 2012; $210 million in 2013; $460 million in 2014; $455 million in 2015; and $696 million in 2016. 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. During 2011, we repaid $30 million of tax-exempt project bonds that had been secured by certain of our Wheelabrator Group's assets.

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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. The following table summarizes the requirements of these financial covenants, as defined by the revolving credit facility:

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

Our revolving credit facility 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, 2011 and December 31, 2010, we were in compliance with the covenants and restrictions under all of our debt agreements.

. Deri ati e Instruments and Hedging Acti ities

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

Deri ati es Designated as Hedging Instruments	Balance Sheet Location	December 31, 2011	December 31, 2010
Interest rate contracts	Current other assets	$ —	$ 1
Electricity commodity contracts	Current other assets	5	—
Interest rate contracts	Long-term other assets	73	37
Total derivative assets		$ 78	$ 38
Interest rate contracts	Current accrued liabilities	$ 42	$ 11
Electricity commodity contracts	Current accrued liabilities	—	1
Interest rate contracts	Long-term accrued liabilities	32	13
Foreign exchange contracts	Long-term accrued liabilities	2	3
Total derivative liabilities		$ 76	$ 28

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

Interest Rate Derivatives

Interest Rate Swaps

We use interest rate swaps to maintain a portion of our debt obligations at variable market interest rates. As of December 31, 2011, we had approximately $6.1 billion in fixed-rate senior notes outstanding. The interest payments on $1 billion, or 16%, of these senior notes have been swapped to variable interest rates to protect the debt against changes in fair value due to changes in benchmark interest rates. As of December 31, 2010, we had approximately $5.4 billion in fixed-rate senior notes outstanding, of which $500 million, or 9%, had been swapped to variable interest rates. The significant terms of our interest rate swap agreements as of December 31, 2011 and 2010 are summarized in the table below (in millions):

As of	Notional Amount		Recei e	Pay	Maturity Date
December 31, 2011	$	1,000	Fixed 5.00%-7.125%	Floating 0.38%-6.11%	Through March 15, 2018
December 31, 2010	$	500	Fixed 5.00%-7.65%	Floating 0.10%-4.69%	Through March 15, 2018

The increase in the notional amount of our interest rate swaps from December 31, 2010 to December 31, 2011 was due to the execution of $600 million of interest rate swaps in March 2011 partially offset by the scheduled maturity of $100 million of interest rate swaps in March 2011.

We have designated our interest rate swaps as fair value hedges of our fixed-rate senior notes. Fair value hedge accounting for interest rate swap contracts has increased the carrying value of our debt instruments by $102 million as of December 31, 2011 and $79 million as of December 31, 2010. The following table summarizes the fair value adjustments from interest rate swap agreements at December 31 (in millions):

Increase in Carrying alue of Debt Due to Hedge Accounting for Interest Rate Swaps	December 31, 2011		2010	
Senior notes:				
Active swap agreements	$	73	$	38
Terminated swap agreements		29		41
	$	102	$	79

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 interest rate swaps and the underlying hedged items on our results of operations (in millions):

Years Ended December 31,	Statement of Operations Classification	Gain (Loss) on Swap		Gain (Loss) on Fixed-Rate Debt	
2011	Interest expense	$	35	$	(35)
2010	Interest expense	$	6	$	(6)
2009	Interest expense	$	(60)	$	60

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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):

Decrease to Interest Expense Due to Hedge Accounting for Interest Rate Swaps	Years Ended December 31, 2011	2010	2009
Periodic settlements of active swap agreements(a)	$ 23	$ 29	$ 46
Terminated swap agreements	12	18	19
	$ 35	$ 47	$ 65

(a) These amounts represent the net of our periodic variable-rate interest obligations and the swap counterparties' fixed-rate interest obligations. Our variable-rate obligations are based on a spread from the three-month LIBOR. The significant decline in the benefit from active swaps when comparing 2010 with 2009 is due to a decrease in the notional amount of swaps outstanding, offset, in part, by a decline in three-month LIBOR rates.

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, $150 million of these forward-starting interest rate swaps were terminated contemporaneously with the actual issuance of senior notes in February 2011, and we paid cash of $9 million to settle the liability related to these swap agreements. The ineffectiveness recognized upon termination of the hedges was immaterial and the related deferred loss continues to be recorded as a component of "Accumulated other comprehensive income." The deferred loss is being amortized as an increase to interest expense over the ten-year life of the senior notes issued in February 2011 using the effective interest method. The incremental interest expense associated with these forward-starting interest rate swaps was immaterial during the year ended December 31, 2011 and is expected to be immaterial over the next twelve months.

The forward-starting interest rate swaps outstanding as of December 31, 2011 relate to anticipated debt issuances in November 2012 and March 2014. As of December 31, 2011, the fair value of these active interest rate derivatives was comprised of $42 million of current liabilities and $32 million of long-term liabilities compared with $13 million of long-term liabilities as of December 31, 2010.

We recognized pre-tax and after-tax losses of $59 million and $37 million, respectively, to other comprehensive income for changes in the fair value of our forward-starting interest rate swaps during the year ended December 31, 2011 and $33 million and $20 million, respectively, during the year ended December 31, 2010. We recognized pre-tax and after-tax gains of $9 million and $5 million, respectively, to other comprehensive income for changes in the fair value of our forward-starting interest rate swaps during the year ended December 31, 2009. There was no significant ineffectiveness associated with these hedges during the years ended December 31, 2011, 2010 or 2009.

Treasury Rate Locks

During the third quarter of 2009, we entered into Treasury rate locks with a total notional amount of $200 million to hedge the risk of changes in semi-annual interest payments for a portion of the senior notes that the Company planned to issue in June 2010. The Treasury rate locks were terminated in the second quarter of 2010 contemporaneously with the actual issuance of senior notes, and we paid cash of $7 million upon settlement. In 2009, we recognized pre-tax and after-tax gains of $4 million and $2 million, respectively, to other comprehensive income for changes in the fair value of these Treasury rate locks. In 2010, we recognized pre-tax and after-tax losses of $11 million and $7 million, respectively, to other comprehensive income for changes in the fair value of these Treasury rate locks. There was no significant ineffectiveness associated with these hedges during 2009 or 2010.

At December 31, 2011 and 2010, our "Accumulated other comprehensive income" included $12 million and $16 million, respectively, of deferred losses, net of taxes, associated with the Treasury rate locks mentioned above and 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. Pre-tax amounts of $7 million, $8 million and $9 million were reclassified out of accumulated other comprehensive income and into interest expense in 2011, 2010 and 2009, respectively. As of December 31, 2011, $7 million (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

Credit-Risk-Related Contingent Features

Certain of our interest rate derivative instruments contain provisions related to the Company's credit rating. 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, 2011, we had not experienced any credit events that would trigger these provisions, nor did we have any derivative instruments with credit-risk-related contingent features that were in a net liability position.

Foreign Exchange 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.

As of December 31, 2009, the hedged cash flows included C$370 million of principal and C$22 million of interest scheduled to be paid in December 2010. The intercompany note and related forward contracts matured in December 2010 and we paid cash of U.S. $37 million to settle the forward contracts.

In December 2010, 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 forward contracts was C$401 million at December 31, 2010. Interest of C$10 million was paid on November 30, 2011 and the related forward contract matured, resulting in a remaining notional value of C$391 million at December 31, 2011. Scheduled interest payments as of December 31, 2011 are as follows: C$11 million on November 30, 2012 and C$10 million on October 31, 2013. The principal is scheduled to be repaid on October 31, 2013. We designated these forward contracts as cash flow hedges.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Gains or losses on the underlying hedged items attributable to foreign currency exchange risk are recognized in current earnings. The gains or losses on our foreign currency forward contracts that are reclassified out of accumulated other comprehensive income are recognized as adjustments to other income and expense, which is the same financial statement line item where offsetting gains or losses on the related hedged items are recorded. The following table summarizes the pre-tax impacts of our foreign currency cash flow derivatives on our comprehensive income and results of operations (in millions):

Year Ended December 31,	Deri ati e Gain or (Loss) Recogni ed in OCI (Effecti e Portion)	Statement of Operations Classification	Deri ati e Gain or (Loss) Reclassified from AOCI into Income (Effecti e Portion)
2011	$ 1	Other income (expense)	$ 4
2010	$ (22)	Other income (expense)	$ (18)
2009	$ (47)	Other income (expense)	$ (47)

Amounts reported in other comprehensive income and accumulated other comprehensive income are reported net of tax. Adjustments to other comprehensive income for changes in the fair value of our foreign currency cash flow hedges resulted in the recognition of after-tax gains of $1 million during the year ended December 31, 2011; after-tax losses of $14 million during the year ended December 31, 2010; and after-tax losses of $28 million during the year ended December 31, 2009. After-tax adjustments for the reclassification of gains from accumulated other comprehensive income into income were $2 million during the year ended December 31, 2011. After-tax adjustments for the reclassification of losses from accumulated other comprehensive income into income were $11 million and $28 million during the years ended December 2010 and 2009, respectively. Ineffectiveness has been included in other income and expense during each of the reported periods. There was no significant ineffectiveness associated with these hedges during the years ended December 31, 2011, 2010 or 2009.

Electricity Commodity Derivatives

As a result of the expiration of certain long-term electricity contracts at our waste-to-energy facilities, we use short-term "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. We hedged 672,360 megawatt hours, or approximately 26%, of our Wheelabrator Group's full year 2010 merchant electricity sales and 1.55 million megawatt hours, or approximately 50%, of the Group's full year 2011 merchant electricity sales. The swaps executed through December 31, 2011 are expected to hedge about 628,800 megawatt hours, or approximately 19%, of the Group's full year 2012 merchant electricity sales.

We recognized pre-tax and after-tax gains of $8 million and $5 million, respectively, to other comprehensive income for changes in the fair value of our electricity commodity derivatives during the year ended December 31, 2011. We recognized pre-tax and after-tax adjustments of $2 million and $1 million, respectively, for the reclassification of gains from accumulated other comprehensive income into income during the year ended December 31, 2011. All financial statement impacts associated with these derivatives were immaterial for the year ended December 31, 2010. There was no significant ineffectiveness associated with these cash flow hedges during 2011 or 2010.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Income Taxes

Provision for Income Taxes

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

	Years Ended December 31, 2011	2010	2009
Current:			
Federal	$ 240	$ 354	$ 407
State	38	99	74
Foreign	35	22	26
	313	475	507
Deferred:			
Federal	162	85	(45)
State	36	64	(35)
Foreign	—	5	(14)
	198	154	(94)
Provision for income taxes	$ 511	$ 629	$ 413

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

	Years Ended December 31, 2011	2010	2009
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	3.46	4.50	3.75
Miscellaneous federal tax credits	(3.29)	(1.67)	(1.15)
Noncontrolling interests	(1.11)	(1.05)	(1.56)
Taxing authority audit settlements and other tax adjustments	(0.47)	0.54	(2.89)
Nondeductible costs relating to acquired intangibles	0.08	0.11	0.18
Tax rate differential on foreign income	(0.70)	(0.39)	(0.24)
Cumulative effect of change in tax rates	0.12	1.74	(0.49)
Utilization of capital loss	—	—	(4.44)
Other	0.52	(0.25)	(0.09)
Provision for income taxes	33.61%	38.53%	28.07%

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 state net operating loss and credit carry-forwards, utilization of a capital loss carry-back 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, 2011, 2010 and 2009:

	Years Ended December 31,		
	2011	2010	2009
Domestic	$ 1,394	$ 1,517	$ 1,396
Foreign	126	114	77
Income before income taxes	$ 1,520	$ 1,631	$ 1,473

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 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.

During 2009, we settled the IRS audit for the 2008 tax year as well as various state tax audits. The settlement of these audits resulted in a reduction to our "Provision for income taxes" of $11 million, or $0.02 per diluted share, for the year ended December 31, 2009.

We are currently in the examination phase of IRS audits for the tax years 2010, 2011 and 2012 and expect these audits to be completed within the next three, 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 have finalized audits in Canada through the 2005 tax year and are not currently under audit for any subsequent tax years in Canada. On July 28, 2011, we acquired Oakleaf, which is subject to IRS examinations for years dating back to 2008 and state income tax examinations for years dating back to 2002. Pursuant to the terms of our acquisition of Oakleaf, we are entitled to certain indemnifications for Oakleaf's pre-acquisition tax liabilities.

Effective State Tax Rate Change — 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. During 2009, our current state tax rate increased from 6.0% to 6.25% and our deferred state tax rate increased from 5.5% to 5.75%, resulting in an increase to our income taxes of $3 million and $6 million, respectively. The increases in these rates are primarily due to changes in state law. The comparison of our effective state tax rate during the reported periods has also been affected by return-to-accrual adjustments, which reduced our "Provision for income taxes" in 2011 and 2009 and increased our "Provision for income taxes" in 2010.

Canada Statutory Tax Rate Change — During 2009, the provincial tax rates in Ontario were reduced, which resulted in a $13 million tax benefit as a result of the revaluation of the related deferred tax balances.

State Net Operating Loss and Credit Carry-Forwards — During 2011, 2010, and 2009, we utilized state net operating loss and credit carry-forwards resulting in a reduction to our "Provision for income taxes" for those periods of $4 million, $4 million and $35 million, respectively.

Capital Loss Carry-Back — During 2009, we generated a capital loss from the liquidation of a foreign subsidiary. We determined that the capital loss could be utilized to offset capital gains from 2006 and 2007, which resulted in a reduction to our 2009 "Provision for income taxes" of $65 million.

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 Condensed Consolidated Statement of Operations. During the year ended December 31, 2011, we recognized $6 million of net losses resulting from our share of the entity's operating losses. Our tax provision for the year ended December 31, 2011 was reduced by $17 million 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, 2011 and 2010, we recognized $23 million and $19 million of losses relating to our equity investment in this entity, $8 million and $5 million of interest expense, and a reduction in our tax provision of $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, 2011, remaining unremitted earnings in foreign operations were approximately $750 million, which are considered permanently invested and, therefore, 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, 2011	December 31, 2010
Deferred tax assets:		
Net operating loss, capital loss and tax credit carry-forwards	$ 231	$ 179
Landfill and environmental remediation liabilities	95	60
Miscellaneous and other reserves	283	202
Subtotal	609	441
Valuation allowance	(156)	(132)
Deferred tax liabilities:		
Property and equipment	(1,282)	(1,045)
Goodwill and other intangibles	(976)	(886)
Net deferred tax liabilities	$ (1,805)	$ (1,622)

The valuation allowance increased by $24 million in 2011 due to our acquisition of Oakleaf, changes in our capital loss carry-forward and changes in our state NOL and credit carry-forwards.

At December 31, 2011, we had $120 million of federal net operating loss, or NOL, carry-forwards and $1.4 billion of state NOL carry-forwards. The federal and state NOL carry-forwards have expiration dates through the year 2031. We also have a $104 million capital loss carry-forward that expires in 2014. In addition, we have $39 million of state tax credit carry-forwards at December 31, 2011.

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 2011, 2010 and 2009 is as follows (in millions):

	2011	2010	2009
Balance at January 1	$ 53	$ 75	$ 84
Additions based on tax positions related to the current year	9	5	6
Additions based on tax positions of prior years	—	—	—
Additions due to acquisitions	2	—	—
Accrued interest	2	3	4
Reductions for tax positions of prior years	—	(1)	(1)
Settlements	(10)	(23)	(10)
Lapse of statute of limitations	(7)	(6)	(8)
Balance at December 31	$ 49	$ 53	$ 75

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, 2011, $32 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, 2011, 2010 and 2009 we recognized approximately $2 million, $3 million and $4 million, respectively, of such interest expense as a component of our "Provision for income taxes." We had approximately $7 million and $8 million of accrued interest in our Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively. We do not have any accrued liabilities or expense for penalties related to unrecognized tax benefits for the years ended December 31, 2011, 2010 and 2009.

We anticipate that approximately $7 million of liabilities for unrecognized tax benefits, including accrued interest, and $2 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.

Recent Legislation

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, signed into law on December 17, 2010, included an extension of the bonus depreciation allowance through the end of 2012 and increased the amount of qualifying capital expenditures that can be depreciated immediately from 50% to 100%. The 100% depreciation deduction applies to qualifying property placed in service from September 8, 2010 through December 31, 2011. The acceleration of deductions on 2011 capital expenditures resulting from the bonus depreciation provision had no impact on our 2011 effective tax rate. However, the ability to accelerate depreciation deductions decreased our 2011 cash taxes by approximately $190 million. Taking the accelerated tax depreciation will result in increased cash taxes in future periods when the deductions for these capital expenditures would have otherwise been taken.

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 match 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 $61 million in 2011, $55 million in 2010 and $50 million in 2009.

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, 2011, the combined benefit obligation of these pension plans was $92 million, and the plans had $62 million of plan assets, resulting in an unfunded benefit obligation for these plans of $30 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 $43 million at December 31, 2011.

Our accrued benefit liabilities for our defined benefit pension and other post-retirement plans are $73 million as of December 31, 2011 and are included as components of "Accrued liabilities" and long-term "Other liabilities" in our Consolidated Balance Sheet.

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Multiemployer Defined Benefit 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) 2011	2010	FIP RP Status(b)(c)	Contributions(d) 2011	2010	2009	Expiration Date of Collecti e Bargaining Agreement
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	—	—	1	(e)
Distributors Association Warehousemens Pension Trust	EIN: 94-0294755 Plan Number: 002	Critical as of 5/31/2010	Critical as of 5/31/2009	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 9/30/2010	Endangered as of 9/30/2009	Implemented	4	4	3	9/30/2013 and 9/30/2014
New England Teamsters and Trucking Industry Pension Fund	EIN: 04-6372430; Plan Number: 001	Critical as of 9/30/2010	Critical as of 9/30/2009	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 12/31/2014
Western Conference of Teamsters Pension Plan	EIN: 91-6145047; Plan Number: 001	Not Endangered or Critical	Not Endangered or Critical	Not applicable	20	20	18	Various dates through 6/30/2017
Western Pennsylvania Teamsters and Employers Pension Plan	EIN: 25-6029946; Plan Number: 001	Critical	Critical	Implemented	1	1	1	12/31/2011; negotiations ongoing

(a) Unless otherwise noted in the table, the most recent Pension Protection Act zone status available in 2011 and 2010 is for the plan's year-end at December 31, 2010 and 2009, 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 either less than 80% funded or meet certain accumulated funding deficiency criteria.

(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.

(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:

	Year Contributions to Plan Exceeded 5 of Total Contributions (as of Plan s Year End)
Distributors Association Warehousemens Pension Trust	5/31/2010
Local 731 Private Scavengers and Garage Attendants Pension Trust Fund	9/30/2010
Suburban Teamsters of Northern Illinois Pension Plan	12/31/2010 and 12/31/2009

At the date the financial statements were issued, Forms 5500 were not available for the plan years ended in 2011. For the plan years ended in 2009, Forms 5500 were not available for the following plans: Distributors Association Warehousemens Pension Trust, Local 731 Private Scavengers and Garage Attendants Pension Trust Fund and New England Teamsters and Trucking Industry Pension Fund.

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

The following table summarizes all contributions made to multiemployer defined benefit pension plans, which were charged to operations for our subsidiaries' ongoing participation in these defined benefit plans (in millions):

	Years Ended December 31, 2011	2010	2009
Contributions to individually significant multiemployer defined benefit pension plans	$ 29	$ 29	$ 27
Contributions to all other multiemployer defined benefit pension plans	7	7	7
Total contributions to multiemployer defined benefit pension plans	$ 36	$ 36	$ 34

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 2010 and 2009, we recognized aggregate charges of $26 million and $9 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.

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. 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, 2011, our general liability insurance program 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, 2011, 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 2.0% at December 31, 2011, 3.50% at December 31, 2010 and 3.75% at December 31, 2009. The changes to our net insurance liabilities for the three years ended December 31, 2011 are summarized below (in millions):

	Gross Claims Liability	Recei ables Associated with Insured Claims(a)	Net Claims Liability
Balance, December 31, 2008	$ 531	$ (191)	$ 340
Self-insurance expense (benefit)	184	(32)	152
Cash (paid) received	(174)	29	(145)
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(b)	$ 511	$ (161)	$ 350
Current portion at December 31, 2011	$ 135	$ (40)	$ 95
Long-term portion at December 31, 2011	$ 376	$ (121)	$ 255

(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 recorded obligations to be settled in cash in 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.

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 $138 million during 2011, $121 million during 2010 and $114 million during 2009. Minimum contractual payments due for our operating lease obligations are $91 million in 2012, $77 million in 2013, $68 million in 2014, $56 million in 2015 and $45 million in 2016.

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 date through 2016 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.

Credit Commitment — 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.

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, 2011. 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, 2011, our estimated minimum obligations for the above-described purchase obligations, which are not recognized in our Consolidated Balance Sheet in accordance with accounting principles generally accepted in the U.S., were $148 million in 2012, $143 million in 2013, $47 million in 2014, $36 million in 2015 and $29 million in 2016. 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.

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

As of December 31, 2011, 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, 2011, our maximum future payments associated with these guarantees are approximately $20 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, 2011, we have agreements guaranteeing certain market value losses for approximately 900 homeowners' properties adjacent to or near 21 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 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. For acquisitions completed subsequent to January 1, 2009, we have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. For acquisitions completed before January 1, 2009, the costs associated with any additional consideration requirements are accounted for as incurred. 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, 2011, 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, 17 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 63 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.

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 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. The Court still has under consideration additional motions that, if granted, would resolve the few remaining claims against WM and its Committees. The outcome of this lawsuit cannot be predicted with certainty. The defendants intend to defend themselves vigorously in this litigation.

In July 2008, subsidiaries of WM were named as defendants in purported class actions in the Circuit Court of Bullock County, Alabama, which was subsequently removed to the United States District Court for the Northern District of Alabama. This suit pertained to our fuel and environmental charge in our customer service agreements and generally alleged that such charges were not properly disclosed, were unfair and were contrary to the contracts. We filed a motion to dismiss that was partially granted during the third quarter of 2010, resulting in dismissal of the plaintiffs' national class action claims. During the third quarter of 2011, the plaintiffs filed and the Court granted a motion to dismiss the litigation without prejudice.

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 suits were filed by the same law firm that brought the Alabama litigation discussed in the prior paragraph, and these cases also primarily pertain to our fuel and environmental charges in our customer service agreements, generally alleging that such charges were not properly disclosed, were unfair and were contrary to the contracts. We will vigorously defend this matter. Given the inherent uncertainties of litigation, the ultimate outcome of these cases cannot be predicted at this time, nor can possible damages, if any, be reasonably estimated.

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. In May 2008, Mnoian Management, Inc. filed suit in Los Angeles County Superior Court seeking remediation and increased compaction of a site we had previously leased for landfill purposes. The parties have completed a binding arbitration, and all principal matters have been resolved.

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

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

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 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, and the employment agreements between WM and its Chief Executive Officer, principal financial 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.

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 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:

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 November 16, 2011, the Regional Water Quality Control Board for the San Francisco Bay Region issued an Administrative Civil Liability ("ACL") Complaint to Guadalupe Rubbish Disposal Company, Inc. ("GRDC"), an indirect wholly-owned subsidiary of WM. The ACL Complaint seeks penalties for alleged violations of California's water pollution statutes and GRDC's landfill permit relating to handling of landfill gas condensate from an on-site landfill gas-to-energy facility owned and operated by a third party. GRDC has appealed the ACL Complaint.

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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On January 13, 2012, the Pennsylvania Department of Environmental Protection ("Department") informed Phoenix Resources, Inc. ("Phoenix") landfill that it intended to seek civil penalties for alleged violations of Pennsylvania solid waste regulations during the third quarter of 2011 resulting from the acceptance of certain loads of industrial waste prior to the Department's written approval. Phoenix is an indirect wholly-owned subsidiary of WM.

Additionally, the United States Attorney's Office for the District of Hawaii has commenced an investigation into allegations of violations of the federal Clean Water Act involving discharge of stormwater at the Waimanalo Gulch Sanitary Landfill, located on Oahu, Hawaii in connection with three major storm events in December 2010 and January 2011. No formal enforcement action has been brought against the Company, although 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. We are cooperating with the U.S. Attorney's Office.

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"), which has reported that it adopted a rehabilitation plan as a result of its actuarial certification for the plan year beginning January 1, 2008. The Central States Pension Plan is in "critical status," as defined by the Pension Protection Act of 2006. We recognized charges to "Operating" expenses of $26 million in 2010 and $9 million in 2009 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, our last remaining group of employees that were active participants in the Central States Pension Plan voted to decertify the union that represented them, ceasing any contribution obligation and withdrawing them from the Central States Pension Plan.

We are still negotiating and litigating final resolutions of our withdrawal liability for previous withdrawals and our recent final withdrawal mentioned above, which could be materially higher than the charges we have recognized. We do not believe that our withdrawals from the multiemployer plans, individually or in the aggregate, will have a material adverse effect on our financial condition or liquidity. However, depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plans at the time of withdrawal, such withdrawals could materially affect our results of operations in the period of the withdrawal.

Tax Matters — We are currently in the examination phase of IRS audits for the tax years 2010, 2011 and 2012 and expect these audits to be completed within the next three, 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 have finalized audits in Canada through the 2005 tax year and are not currently under audit for any subsequent tax years in Canada. On July 28, 2011, we acquired Oakleaf, which is subject to IRS examinations for years dating back to 2008 and state income tax examinations for years dating back to 2002. 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.

12. Restructuring

2011 Restructuring — 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 associated with this reorganization. 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 this restructuring by each of our current reportable segments and our Corporate and Other organization for the year ended December 31, 2011 (in millions):

Eastern	$	2
Midwest		3
Southern		2
Western		3
Wheelabrator		1
Corporate and Other		8
Total	$	19

Through December 31, 2011, we have paid approximately $10 million of the employee severance and benefit costs incurred as a result of 2011 restructuring activities.

2009 Restructuring — In January 2009, we streamlined our organization by (i) consolidating many of our Market Areas; (ii) integrating the management of our recycling operations with our other solid waste business; and (iii) realigning our Corporate organization with this new structure in order to provide support functions more efficiently.

Our principal operations are managed through our Groups, which are discussed in Note 21. Each of our four geographic Groups had been further divided into 45 Market Areas. As a result of our restructuring, the Market Areas were consolidated into 25 Areas. We found that our larger Market Areas generally were able to achieve efficiencies through economies of scale that were not present in our smaller Market Areas, and this reorganization has allowed us to lower costs and to continue to standardize processes and improve productivity. In addition, during the first quarter of 2009, responsibility for the oversight of day-to-day recycling operations at our material recovery facilities and secondary processing facilities was transferred from our Waste Management Recycle America, or WMRA, organization to our four geographic Groups. By integrating the management of our recycling facilities' operations with our other solid waste business, we are able to more efficiently provide comprehensive environmental solutions to our customers. In addition, as a result of this realignment, we have significantly reduced the overhead costs associated with managing this portion of our business and have increased the geographic Groups' focus on maximizing the profitability and return on invested capital of our business on an integrated basis.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

This reorganization eliminated over 1,500 employee positions throughout the Company. During 2009, we recognized $50 million of pre-tax charges associated with this restructuring, of which $41 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 charges recognized in 2009 for this restructuring by each of our reportable segments and our Corporate and Other organizations (in millions):

Eastern	$	12
Midwest		11
Southern		10
Western		6
Wheelabrator		1
Corporate and Other		10
Total	$	50

In 2010, we recognized $2 million of income related to the reversal of pre-tax restructuring charges recorded in 2009. Through December 31, 2010, we had paid all of the employee severance and benefit costs incurred as a result of this restructuring.

13. (Income) Expense from Di estitures, 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):

	Years Ended December 31,					
	2011		2010		2009	
(Income) expense from divestitures	$	1	$	(1)	$	—
Asset impairments		9		—		83
Other		—		(77)		—
	$	10	$	(78)	$	83

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

Through December 31, 2008, we capitalized $70 million of accumulated costs associated with the development of a new waste and recycling revenue management system. A significant portion of these costs was specifically associated with the purchase of a license for waste and recycling revenue management software and the efforts required to develop and configure that software for our use. After a failed pilot implementation of the software in one of our smallest Market Areas, the development efforts associated with the revenue management system were suspended in 2007. During 2009, we determined to enhance and improve our existing revenue management system and not pursue alternatives associated with the development and implementation of the licensed software. Accordingly, in 2009, we recognized a non-cash charge of $51 million, for the abandonment of the licensed software.

We recognized an additional $32 million of impairment charges during 2009, $27 million of which was recognized by our Western Group during the fourth quarter of 2009 to fully impair a landfill in California as a result of a change in our expectations for the future operations of the landfill. The remaining impairment charges were primarily attributable to a charge required to write down certain of our investments in portable self-storage operations to their fair value as a result of our acquisition of a controlling financial interest in those operations.

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.

14. Accumulated Other Comprehensi e Income

The components of accumulated other comprehensive income, which is included as a component of Waste Management, Inc. stockholders' equity, were as follows (in millions):

	December 31,		
	2011	2010	2009
Accumulated unrealized loss on derivative instruments, net of taxes of $39 for 2011, $20 for 2010 and $4 for 2009	$ (62)	$ (33)	$ (8)
Accumulated unrealized gain on available-for-sale securities, net of taxes of $1 for 2011, $3 for 2010 and $1 for 2009	2	5	2
Foreign currency translation adjustments	243	261	212
Funded status of post-retirement benefit obligations, net of taxes of $9 for 2011, $4 for 2010 and $1 for 2009	(11)	(3)	2
	$ 172	$ 230	$ 208

15. Capital Stoc , Di idends 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, 2011, we had 460.5 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 ten million shares of authorized preferred stock, $0.01 par value, none of which is currently outstanding.

Dividends

Our quarterly dividends have been declared by our Board of Directors and paid in accordance with our capital allocation programs. Cash dividends declared and paid were $637 million in 2011, or $1.36 per common share, $604 million in 2010, or $1.26 per common share and $569 million in 2009, or $1.16 per common share.

In December 2011, we announced that our Board of Directors expects to increase the per share quarterly dividend from $0.34 to $0.355 for dividends declared in 2012. 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 made in accordance with capital allocation programs approved by our Board of Directors. The following is a summary of activity under our stock repurchase programs for each year presented:

	Years Ended December 31,		
	2011	2010	2009
Shares repurchased (in thousands)	17,338	14,920	7,237
Per share purchase price	$28.95-$39.57	$31.56-$37.05	$28.06-$33.80
Total repurchases (in millions)	$575	$501	$226

We did not repurchase shares during the first half of 2009 given the state of the economy and the financial markets. In the second half of 2009, we resumed repurchases of our common stock following improvements in the economy and capital markets.

In December 2011, the Board of Directors approved up to $500 million in share repurchases for 2012. However, 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. Stoc -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 2011, 2010 and 2009 was approximately 920,000, 911,000 and 969,000, respectively. Including the impact of the January 2012 issuance of shares associated with the July to December 2011 offering period, approximately 670,000 shares remain available for issuance under the plan.

Accounting for our Employee Stock Purchase Plan increased annual compensation expense by approximately $7 million, or $5 million net of tax, for 2011, by $7 million, or $4 million net of tax, for 2010 and by $6 million, or $4 million net of tax, for 2009.

Employee Stock Incentive Plans

We grant equity and equity-based awards to our officers, employees and independent directors. The Company's 2004 Stock Incentive Plan, which authorized the issuance of up to 34 million shares of our common stock, terminated by its terms in May 2009, at which time our stockholders approved our 2009 Stock Incentive Plan. The 2009 Plan provides for the issuance of up to 26.2 million shares of our common stock. As of December 31, 2011, approximately 9.5 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.

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The Company grants equity awards to certain key employees as part of its long-term incentive plan, or LTIP. The annual LTIP awards granted in 2009 included a combination of RSUs and PSUs. In 2010, we re-introduced stock options as a component of equity compensation, and in 2010 and 2011, key employees were granted a combination of PSUs and stock options. In 2009, the annual LTIP award made to the Company's senior leadership team, which generally includes the Company's executive officers, was comprised solely of PSUs. In 2010 and 2011, the annual LTIP award to the Company's senior leadership team included a combination of PSUs and stock options. During the reported periods, the Company has also granted restricted stock units and stock options to employees working on key initiatives; in connection with new hires and promotions; and to field-based managers.

Restricted Stock Units — A summary of our RSUs is presented in the table below (units in thousands):

	Years Ended December 31,					
	2011		2010		2009	
	Units	Weighted A erage Fair alue	Units	Weighted A erage Fair alue	Units	Weighted A erage Fair alue
Unvested, beginning of year	586	$ 27.61	1,030	$ 30.76	1,121	$ 33.46
Granted	6	$ 31.65	8	$ 34.25	369	$ 23.66
Vested(a)	(253)	$ 32.62	(428)	$ 35.37	(412)	$ 31.49
Forfeited	(22)	$ 26.12	(24)	$ 26.54	(48)	$ 32.81
Unvested, end of year	317	$ 23.60	586	$ 27.61	1,030	$ 30.76

(a) The total fair market value of RSUs that vested during the years ended December 31, 2011, 2010 and 2009 was $9 million, $14 million and $13 million, respectively. Net of units deferred and units used for payment of associated taxes, we issued approximately 162,000, 264,000 and 260,000 shares of common stock for RSUs that vested during the years ended December 31, 2011, 2010 and 2009, 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 — PSUs are payable in shares of common stock after the end of a three-year performance period and after the Company's financial results for the entire performance period are 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 Company's performance against pre-established financial targets. A summary of our PSUs is presented in the table below (units in thousands):

	Years Ended December 31,								
	2011			2010			2009		
	Units(a)		Weighted A erage Fair alue	Units(b)		Weighted A erage Fair alue	Units(c)		Weighted A erage Fair alue
Unvested, beginning of year	1,740	$	26.72	2,254	$	27.68	2,009	$	34.78
Granted	380	$	37.19	690	$	33.49	1,159	$	22.66
Vested(d)	(1,070)	$	22.66	—	$	—	(827)	$	37.28
Expired without vesting	—	$	—	(1,064)	$	32.92	—	$	—
Forfeited	(69)	$	31.31	(140)	$	28.41	(87)	$	33.59
Unvested, end of year	981	$	34.85	1,740	$	26.72	2,254	$	27.68

(a) The Company's financial results for the three-year performance period ended December 31, 2011, as measured for purposes of these awards, are anticipated to be 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 will be entitled to receive an estimated payout of greater than 60% but less than 100% of the vested PSUs. The payout will occur in late February 2012.

(b) 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.

(c) The Company's financial results for the three-year performance period ended December 31, 2009, 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, 2009 were entitled to receive a payout of approximately 84% of the vested PSUs. In early 2010, we issued approximately 443,000 shares of common stock for these vested PSUs, net of units deferred and units used for payment of associated taxes.

(d) The PSUs that vested in 2009 had a fair market value of $23 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.

Compensation expense associated with 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.

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

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

at the end of the deferral period. At December 31, 2011, 2010 and 2009 we had approximately 372,000, 371,000 and 315,000, 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 in 2010 and 2011 primarily vest in 25% increments on the first two anniversaries of the date of grant and the remaining 50% will vest 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 (shares in thousands):

	Years Ended December 31,					
	2011		2010		2009	
	Shares	Weighted A erage Exercise Price	Shares	Weighted A erage Exercise Price	Shares	Weighted A erage Exercise Price
Outstanding, beginning of year	9,957	$ 28.95	8,800	$ 25.98	11,045	$ 26.97
Granted(a) (b)	6,597	$ 37.04	3,901	$ 33.56	1	$ 27.90
Exercised(c)	(1,900)	$ 26.46	(2,454)	$ 25.17	(1,285)	$ 30.20
Forfeited or expired	(399)	$ 33.05	(290)	$ 32.88	(961)	$ 39.62
Outstanding, end of year(d)	14,255	$ 32.91	9,957	$ 28.95	8,800	$ 25.98
Exercisable, end of year(e)	5,176	$ 27.46	6,286	$ 26.25	8,798	$ 25.98

(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 same number of shares used as payment of the exercise price and has the same expiration date as the original option that was reloaded.

(b) The weighted average grant-date fair value of stock options granted during the years ended December 31, 2011, 2010 and 2009 was $5.88, $5.83 and $4.03, respectively.

(c) The aggregate intrinsic value of stock options exercised during the years ended December 31, 2011, 2010 and 2009 was $20 million, $25 million and $12 million, respectively.

(d) Stock options outstanding as of December 31, 2011 have a weighted average remaining contractual term of 6.59 years and an aggregate intrinsic value of $29 million based on the market value of our common stock on December 31, 2011.

(e) The aggregate intrinsic value of stock options exercisable as of December 31, 2011 was $28 million.

We received cash proceeds of $45 million, $54 million and $20 million during the years ended December 31, 2011, 2010 and 2009, respectively, from our employees' stock option exercises. We also realized tax benefits from these stock option exercises during the years ended December 31, 2011, 2010 and 2009 of $8 million, $10 million and $5 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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Exercisable stock options at December 31, 2011, were as follows (shares in thousands):

Range of Exercise Prices	Shares		Weighted A erage Exercise Price	Weighted A erage Remaining Years
$19.61-$20.00	936	$	19.61	1.18
$20.01-$30.00	3,321	$	27.90	1.54
$30.01-$39.93	919	$	33.88	7.96
$19.61-$39.93	5,176	$	27.46	2.61

All unvested stock options granted in 2010 and 2011 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, the recipient shall be entitled to exercise all 2010 and 2011 stock options outstanding and exercisable prior to such termination. All outstanding stock options, whether exercisable or not, are forfeited upon termination with 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, 2011 and 2010 under the Black-Scholes valuation model:

	Years Ended December 31,	
	2011	2010
Expected option life	5.4 years	5.7 years
Expected volatility	24.2%	24.8%
Expected dividend yield	3.7%	3.8%
Risk-free interest rate	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, 2011, 2010 and 2009, we recognized $38 million, $28 million, and $22 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, 2011, 2010 and 2009 includes related deferred income tax benefits of $13 million, $11 million and $9 million, respectively. We have not capitalized any equity-based compensation costs during the years ended December 31, 2011, 2010 and 2009.

Compensation expense recognized in 2011 was higher than expense recognized in 2010 primarily due to expense resulting from the significant increase in the number of stock options granted by the Company in 2011 over the number granted in 2010 and the increase in retirement-eligible employees receiving stock option awards, offset partially by a decrease in the number of PSUs granted in 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 recognized all of the associated compensation expense for retirement-eligible employees on the date of grant. As of December 31, 2011, we estimate that a total of approximately $37 million of currently unrecognized compensation expense will be recognized over a weighted average period of 1.8 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, payable in two equal installments, under the 2009 Plan described above.

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,		
	2011	2010	2009
Number of common shares outstanding at year-end	460.5	475.0	486.1
Effect of using weighted average common shares outstanding	9.2	5.2	5.1
Weighted average basic common shares outstanding	469.7	480.2	491.2
Dilutive effect of equity-based compensation awards and other contingently issuable shares	1.7	2.0	2.4
Weighted average diluted common shares outstanding	471.4	482.2	493.6
Potentially issuable shares	17.0	12.8	13.2
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	9.8	3.6	0.3

1 . Fair alue Measurements

Assets and Liabilities Accounted for at Fair Value

Authoritative guidance associated with fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

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

		Fair alue Measurements at December 31, 2011 Using		
	Total	uoted Prices in Acti e Mar ets (Le el 1)	Significant Other Obser able Inputs (Le el 2)	Significant Unobser able Inputs (Le el 3)
Assets:				
Cash equivalents	$ 120	$ 120	$ —	$ —
Available-for-sale securities	154	154	—	—
Interest rate derivatives	73	—	73	—
Electricity commodity derivatives	5	—	5	—
Total assets	$ 352	$ 274	$ 78	$ —
Liabilities:				
Interest rate derivatives	$ 74	$ —	$ 74	$ —
Foreign currency derivatives	2	—	2	—
Total liabilities	$ 76	$ —	$ 76	$ —

		Fair alue Measurements at December 31, 2010 Using		
	Total	uoted Prices in Acti e Mar ets (Le el 1)	Significant Other Obser able Inputs (Le el 2)	Significant Unobser able Inputs (Le el 3)
Assets:				
Cash equivalents	$ 468	$ 468	$ —	$ —
Available-for-sale securities	148	148	—	—
Interest rate derivatives	38	—	38	—
Total assets	$ 654	$ 616	$ 38	$ —
Liabilities:				
Interest rate derivatives	$ 24	$ —	$ 24	$ —
Foreign currency derivatives	3	—	3	—
Electricity commodity derivatives	1	—	1	—
Total liabilities	$ 28	$ —	$ 28	$ —

Cash Equivalents

Cash equivalents are reflected at fair value in our Consolidated Financial Statements based upon quoted market prices and consist primarily of money market funds that invest in U.S. government obligations with original maturities of three months or less.

Available-for-Sale Securities

Available for-sale securities are recorded at fair value based on quoted market prices. These assets include restricted trusts and escrow accounts invested in money market mutual funds, equity-based mutual funds and other debt and equity securities. The fair value of our restricted trust and escrow accounts approximates our cost basis in the investments.

Interest Rate Derivatives

As of December 31, 2011, we are party to (i) fixed-to-floating interest rate swaps that are designated as fair value hedges of our currently outstanding senior notes; and (ii) forward-starting interest rate swaps that are designated as cash flow hedges of anticipated interest payments for future fixed-rate debt issuances. Our fixed-to-floating interest rate swaps and 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 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 derivatives 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 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, 2011, we are party to fixed-to-floating 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 forward power curves published by Platts, as well as congestion rates where appropriate. The third-party pricing models also incorporate Company and counterparty credit valuation adjustments, as appropriate. 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, 2011 the carrying value of our debt was approximately $9.8 billion compared with approximately $8.9 billion at December 31, 2010. The carrying value of our debt includes adjustments for both the unamortized fair value adjustments related to terminated hedge arrangements and fair value adjustments of debt instruments that are currently hedged.

The estimated fair value of our debt was approximately $10.8 billion at December 31, 2011 and approximately $9.2 billion at December 31, 2010. The estimated fair value of our senior notes is based on quoted market prices. The carrying value of remarketable debt 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 rates we would currently pay for similar types of instruments. The increase in the fair value of our debt when comparing December 31, 2011 with December 31, 2010 is primarily related to $753 million of net borrowings during 2011 associated with our senior notes. Increases in market prices for corporate debt securities and decreases in current market rates on fixed-rate tax-exempt bonds also contributed to the increase in the fair value of debt for the reported period.

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 information available as of December 31, 2011 and December 31, 2010. These amounts have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

19. Ac uisitions and Di estitures

Current Year Acquisitions

We continue to pursue the acquisition of businesses that are accretive to our solid waste operations and enhance and expand our existing service offerings. In 2011, we acquired businesses primarily related to our collection and recycling operations, 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 preliminarily 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 included 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. 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. Other intangible assets included $166 million of customer contracts and customer lists, $29 million of covenants not-to-compete and $30 million of licenses, permits and other.

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 are classified as "Selling, general

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and administrative" expenses. Since the acquisition date, Oakleaf has recognized revenues of $265 million and net income of less than $1 million, which are included in our Consolidated Statement of Operations.

The following table shows adjustments to the preliminary allocation of the purchase price of Oakleaf to tangible and intangible assets acquired and liabilities assumed based on their estimated fair value from September 30, 2011 to December 31, 2011 (in millions):

	September 30, 2011	Ad ustments(a)	December 31, 2011
Accounts and other receivables	$ 68	$ 2	$ 70
Other current assets	28	—	28
Property and equipment	77	(5)	72
Goodwill	320	7	327
Other intangible assets	92	(5)	87
Accounts payable	(80)	(2)	(82)
Accrued liabilities	(48)	—	(48)
Deferred income taxes, net	(13)	3	(10)
Other liabilities	(12)	—	(12)
Total purchase price	$ 432	$ —	$ 432

(a) The purchase price adjustments relate primarily to changes in the valuation of the customer and vendor relationships and evaluation of physical and market conditions of equipment.

The purchase price allocation is still preliminary and may change. The following table presents the preliminary allocation of the purchase price to intangible assets (amounts in millions, except for amortization periods):

	Amount	Weighted A erage Amorti ation Periods (in Years)
Customer relationships	$ 74	10.0
Vendor relationships	4	10.0
Trademarks	9	15.0
Total intangible assets subject to amortization	$ 87	10.5

Goodwill of $327 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. Based on our preliminary valuation, goodwill has been assigned to our four geographic Groups as they are expected to benefit from the synergies of the combination.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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):

	Years Ended December 31,	
	2011	2010
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

Prior Year Acquisitions

In 2010, we acquired businesses primarily related to our collection 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. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is tax deductible. Other intangible assets included $35 million of customer contracts and customer lists, $8 million of covenants not-to-compete and $55 million of licenses, permits and other.

In 2009, we acquired businesses primarily related to our collection operations. Total consideration, net of cash acquired, for acquisitions was $329 million, which included $259 million in cash payments, a liability for additional cash payments with an estimated fair value of $46 million, and assumed liabilities of $24 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 obligations for the contingent cash payments were between $42 million and $56 million. As of December 31, 2009, we had paid $15 million of this contingent consideration. In 2009, we also paid $7 million of contingent consideration associated with acquisitions completed in 2008.

The allocation of purchase price was primarily to "Property and equipment," which had an estimated fair value of $102 million; "Other intangible assets," which had an estimated fair value of $105 million; and "Goodwill" of $125 million. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is tax deductible. Other intangible assets included $66 million of customer contracts and customer lists, $19 million of covenants not-to-compete and $20 million of licenses, permits and other.

Our 2009 acquisitions included the purchase of the remaining equity interest in one of our portable self-storage investments, increasing our equity interest in this entity from 50% to 100%. As a result of this acquisition, we recognized a $4 million loss for the remeasurement of the fair value of our initial equity investment, which was determined to be $5 million. This loss was recognized as a component of "(Income) expense from divestitures, asset impairments and unusual items" in our Consolidated Statement of Operations.

Divestitures

The aggregate sales price for divestitures of operations was $32 million in 2011, $1 million in 2010 and $1 million in 2009. The proceeds from these sales for 2011 were comprised of assets acquired in exchanges of assets. For 2010 and 2009, the proceeds from these sales were comprised substantially of cash. We recognized net losses on these divestitures of $1 million in 2011 and net gains on these divestitures of $1 million in 2010. The impact to our 2009 income from operations of gains and losses on divestitures was less than $1 million. These divestitures were made as part of our initiative to improve or divest certain underperforming and non-strategic operations.

20. ariable 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, 2011 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, 2011, our Consolidated Balance Sheet includes $308 million of net property and equipment associated with the LLCs' waste-to-energy facilities and $246 million in noncontrolling interests associated with Hancock's and CIT's interests in the LLCs. As of December 31, 2011, all debt obligations of the LLCs have been paid in full and, therefore, the LLCs have no liabilities. During each of the years ended December 31, 2011, 2010, and 2009, we recognized expense of $50 million 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 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, 2011, our investment balance was $35 million, 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 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, 2011, our investment balance was $178 million and our debt balance was $176 million. 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. We have determined that we are not the primary beneficiary of certain of these trust funds because power over the trusts' significant activities is shared.

The deconsolidation of these variable interest entities as of January 1, 2010, in accordance with the new FASB guidance discussed in Note 2, decreased our restricted trust and escrow accounts by $109 million; increased investments in unconsolidated entities by $27 million; increased receivables, principally long-term, by $51 million; and decreased noncontrolling interests by $31 million. Beginning in 2010, our interests in these variable interest entities have been accounted for as investments in unconsolidated entities and receivables. These amounts are recorded in "Other receivables" and as long-term "Other assets" in our Consolidated Balance Sheet. Our investments and receivables related to the trusts had an aggregate carrying value of $105 million as of January 1, 2010, $103 million as of December 31, 2010 and $107 million as of December 31, 2011. We continue to 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.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Segment and Related Information

We currently manage and evaluate our operations primarily through our Eastern, Midwest, Southern, Western and Wheelabrator Groups. These five Groups are presented below as our reportable segments. Our four geographic operating Groups provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services. Our fifth Group is the Wheelabrator Group, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. We serve residential, commercial, industrial, and municipal customers throughout North America. The operations not managed through our five operating Groups, including the Oakleaf operations we acquired on July 28, 2011, are presented herein as "Other." See Note 19 for additional information related to our acquisition of Oakleaf.

Summarized financial information concerning our reportable segments for the respective years ended December 31 is shown in the following table (in millions):

	Gross Operating Re enues	Intercompany Operating Re enues(c)	Net Operating Re enues	Income from Operations (d),(e)	Depreciation and Amorti ation	Capital Expenditures (f)	Total Assets (g),(h)
2011							
Eastern	$ 3,115	$ (519)	$ 2,596	$ 559	$ 275	$ 227	$ 4,496
Midwest	3,213	(473)	2,740	646	267	218	4,993
Southern	3,390	(412)	2,978	779	267	265	3,493
Western	3,282	(446)	2,836	576	216	271	3,961
Wheelabrator	877	(121)	756	168	67	35	2,559
Other(a)	1,532	(60)	1,472	(116)	76	217	2,178
	15,409	(2,031)	13,378	2,612	1,168	1,233	21,680
Corporate and Other(b)	—	—	—	(584)	61	129	1,561
Total	$ 15,409	$ (2,031)	$ 13,378	$ 2,028	$ 1,229	$ 1,362	$ 23,241
2010							
Eastern	$ 2,943	$ (508)	$ 2,435	$ 516	$ 270	$ 201	$ 4,272
Midwest	3,048	(453)	2,595	533	275	203	4,929
Southern	3,461	(403)	3,058	844	269	230	3,256
Western	3,173	(438)	2,735	569	210	223	3,715
Wheelabrator	889	(125)	764	214	64	38	2,574
Other(a)	963	(35)	928	(135)	50	182	1,744
	14,477	(1,962)	12,515	2,541	1,138	1,077	20,490
Corporate and Other(b)	—	—	—	(425)	56	90	1,679
Total	$ 14,477	$ (1,962)	$ 12,515	$ 2,116	$ 1,194	$ 1,167	$ 22,169
2009							
Eastern	$ 2,960	$ (533)	$ 2,427	$ 483	$ 276	$ 216	$ 4,326
Midwest	2,855	(426)	2,429	450	261	218	4,899
Southern	3,328	(431)	2,897	768	274	242	3,250
Western	3,125	(412)	2,713	521	226	195	3,667
Wheelabrator	841	(123)	718	235	57	11	2,266
Other(a)	628	(21)	607	(136)	29	128	1,112
	13,737	(1,946)	11,791	2,321	1,123	1,010	19,520
Corporate and Other(b)	—	—	—	(434)	43	66	2,281
Total	$ 13,737	$ (1,946)	$ 11,791	$ 1,887	$ 1,166	$ 1,076	$ 21,801

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(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, 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, fluorescent lamp recycling and healthcare solutions, 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 Groups or financing for our Canadian operations; and (ii) certain year-end adjustments recorded in consolidation related to the reportable segments that were not included in the measure of segment profit or loss used to assess their performance for the periods disclosed.

(b) Corporate operating results reflect the costs incurred for various support services that are not allocated to our five Groups. 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 four geographic Groups is generally indicative of the margins provided by our collection, landfill, transfer and recycling businesses. The operating margins provided by our Wheelabrator Group (waste-to-energy facilities and independent power production plants) have historically been higher than the margins provided by our base business generally due to the combined impact of long-term disposal and energy contracts and the disposal demands of the regions in which our facilities are concentrated. However, the revenues and operating results of our Wheelabrator Group have been unfavorably affected by a significant decrease in the rates charged for electricity under our power purchase contracts, which correlate with natural gas prices in the markets where we operate. Exposure to market fluctuations in electricity prices increased for the Wheelabrator Group in 2009 due in large part to the expiration of several long-term energy contracts. Additionally, the Company's current focus on the expansion of our waste-to-energy business both internationally and domestically has increased Wheelabrator's costs and expenses, which has negatively affected the comparability of their operating results for the periods presented. 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 the operating results of our reportable segments.

(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, 2011	December 31, 2010	December 31, 2009
Total assets, as reported above	$ 23,241	$ 22,169	$ 21,801
Elimination of intercompany investments and advances	(672)	(693)	(647)
Total assets, per Consolidated Balance Sheets	$ 22,569	$ 21,476	$ 21,154

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(h) Goodwill is included within each Group'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 geographic Group 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, as preliminarily determined, has been assigned to our geographic Groups. The following table shows changes in goodwill during 2010 and 2011 by reportable segment (in millions):

	Eastern	Midwest	Southern	Western	Wheelabrator	Other	Total
Balance, December 31, 2009	$ 1,500	$ 1,382	$ 679	$ 1,221	$ 788	$ 62	$ 5,632
Acquired goodwill	4	17	4	20	—	32	77
Divested goodwill, net of assets held-for-sale	—	—	—	—	—	—	—
Translation and other adjustments	—	15	—	2	—	—	17
Balance, December 31, 2010	1,504	1,414	683	1,243	788	94	5,726
Acquired goodwill	142	88	142	99	—	26	497
Divested goodwill, net of assets held-for-sale	—	—	—	—	—	—	—
Translation and other adjustments	3	(1)	4	2	—	(16)	(8)
Balance, December 31, 2011	$ 1,649	$ 1,501	$ 829	$ 1,344	$ 788	$ 104	$ 6,215

The table below shows the total revenues by principal line of business (in millions):

	Years Ended December 31,		
	2011	2010	2009
Collection	$ 8,406	$ 8,247	$ 7,980
Landfill	2,611	2,540	2,547
Transfer	1,280	1,318	1,383
Wheelabrator	877	889	841
Recycling	1,580	1,169	741
Other(a)	655	314	245
Intercompany(b)	(2,031)	(1,962)	(1,946)
Operating revenues	$ 13,378	$ 12,515	$ 11,791

(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.

Net operating revenues relating to operations in the United States and Puerto Rico, as well as Canada are as follows (in millions):

	Years Ended December 31,		
	2011	2010	2009
United States and Puerto Rico	$ 12,578	$ 11,784	$ 11,137
Canada	800	731	654
Total	$ 13,378	$ 12,515	$ 11,791

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment (net) relating to operations in the United States and Puerto Rico, as well as Canada are as follows (in millions):

	December 31, 2011	2010	2009
United States and Puerto Rico	$ 10,948	$ 10,558	$ 10,251
Canada	1,294	1,310	1,290
Total	$ 12,242	$ 11,868	$ 11,541

22. uarterly Financial Data (Unaudited)

The following table summarizes the unaudited quarterly results of operations for 2011 and 2010 (in millions, except per share amounts):

	First uarter	Second uarter	Third uarter	Fourth uarter
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
2010				
Operating revenues	$ 2,935	$ 3,158	$ 3,235	$ 3,187
Income from operations	412	586	544	574
Consolidated net income	192	258	258	294
Net income attributable to Waste Management, Inc.	182	246	244	281
Basic earnings per common share	0.37	0.51	0.51	0.59
Diluted earnings per common share	0.37	0.51	0.51	0.59

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 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:

Third Quarter 2011

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 our Western Group, 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.

First Quarter 2010

Income from operations was negatively affected by the recognition of a $28 million charge to "Operating" expenses incurred by our Midwest Group as a result of bargaining unit employees in Michigan and Ohio agreeing to our proposal to withdraw them from an underfunded multiemployer pension plan. This charge reduced diluted earnings per share for the quarter by $0.04.

The severe winter weather experienced in early 2010 reduced our revenues and increased our overtime and landfill operating costs, causing an estimated decrease in our diluted earnings per share of $0.02.

Second Quarter 2010

Income from operations was positively affected by the recognition of a pre-tax cash benefit of $77 million due to the settlement of a lawsuit related to the abandonment of revenue management software, which had a favorable impact of $0.10 on our diluted earnings per share.

Income from operations was negatively affected by (i) the recognition of a pre-tax non-cash charge of $39 million related to increases in our environmental remediation reserves principally related to two closed landfill sites; and (ii) the recognition of an $8 million unfavorable adjustment to "Operating" expenses due to a decrease from 3.75% to 3.0% in the discount rate used to estimate the present value of our environmental remediation obligations and recovery assets. These items decreased the quarter's "Net Income attributable to Waste Management, Inc." by $30 million, or $0.06 per diluted share.

Our "Provision for income taxes" for the quarter was increased by the recognition of a tax charge of $37 million principally related to refinements in estimates of our deferred state income taxes, which had a negative impact of $0.08 on our diluted earnings per share.

Third Quarter 2010

Income from operations was negatively affected by (i) the recognition of pre-tax, non-cash charges aggregating $16 million related to remediation and closure costs at five closed sites; and (ii) the recognition of a $6 million unfavorable adjustment to "Operating" expenses due to a decrease from 3.0% to 2.5% in the discount rate used to estimate the present value of our environmental remediation obligations and recovery assets. These items decreased the quarter's "Net Income attributable to Waste Management, Inc." by $14 million, or $0.03 per diluted share.

Our "Provision for income taxes" for the quarter was increased by the recognition of net tax charges of $4 million due to adjustments relating to the finalization of our 2009 tax returns, partially offset by favorable tax audit settlements, which, combined, had a negative impact of $0.01 on our diluted earnings per share.

Fourth Quarter 2010

Income from operations was positively affected by (i) a $23 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; and (ii) the recognition of a $12 million favorable adjustment to "Operating" expenses due to an increase from 2.5% to 3.5% in the discount rate used to estimate the present value of our environmental remediation obligations and recovery assets. These items increased the quarter's "Net Income attributable to Waste Management, Inc." by $22 million, or $0.05 per diluted share.

Income from operations was negatively affected by the recognition of pre-tax litigation charges of $31 million, which had an unfavorable impact of $0.04 on our diluted earnings per share.

Our "Provision for income taxes" for the quarter was reduced by $9 million as a result of (i) the recognition of a benefit of $6 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 common share by $0.02.

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):

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2011

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 119	$ —	$ 139	$ —	$ 258
Other current assets	6	—	2,115	—	2,121
	125	—	2,254	—	2,379
Property and equipment, net	—	—	12,242	—	12,242
Investments in and advances to affiliates	12,006	14,905	3,036	(29,947)	—
Other assets	120	12	7,816	—	7,948
Total assets	$ 12,251	$ 14,917	$ 25,348	$ (29,947)	$ 22,569
LIABILITIES AND E UITY					
Current liabilities:					
Current portion of long-term debt	$ 298	$ —	$ 333	$ —	$ 631
Accounts payable and other current liabilities	124	13	2,300	—	2,437
	422	13	2,633	—	3,068
Long-term debt, less current portion	5,727	449	2,949	—	9,125
Other liabilities	32	—	3,954	—	3,986
Total liabilities	6,181	462	9,536	—	16,179
Equity:					
Stockholders' equity	6,070	14,455	15,492	(29,947)	6,070
Noncontrolling interests	—	—	320	—	320
	6,070	14,455	15,812	(29,947)	6,390
Total liabilities and equity	$ 12,251	$ 14,917	$ 25,348	$ (29,947)	$ 22,569

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WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS (Continued)

December 31, 2010

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 465	$ —	$ 74	$ —	$ 539
Other current assets	4	1	1,938	—	1,943
	469	1	2,012	—	2,482
Property and equipment, net	—	—	11,868	—	11,868
Investments in and advances to affiliates	10,757	13,885	2,970	(27,612)	—
Other assets	91	12	7,023	—	7,126
Total assets	$ 11,317	$ 13,898	$ 23,873	$ (27,612)	$ 21,476
LIABILITIES AND E UITY					
Current liabilities:					
Current portion of long-term debt	$ —	$ 1	$ 232	$ —	$ 233
Accounts payable and other current liabilities	93	17	2,142	—	2,252
	93	18	2,374	—	2,485
Long-term debt, less current portion	4,951	596	3,127	—	8,674
Other liabilities	13	—	3,713	—	3,726
Total liabilities	5,057	614	9,214	—	14,885
Equity:					
Stockholders' equity	6,260	13,284	14,328	(27,612)	6,260
Noncontrolling interests	—	—	331	—	331
	6,260	13,284	14,659	(27,612)	6,591
Total liabilities and equity	$ 11,317	$ 13,898	$ 23,873	$ (27,612)	$ 21,476

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WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
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)	—
Equity in net losses of unconsolidated entities and other, net	—	—	(35)	—	(35)
	826	1,155	(133)	(2,356)	(508)
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.	$ 961	$ 1,168	$ 1,188	$ (2,356)	$ 961
Year Ended December 31, 2010					
Operating revenues	$ —	$ —	$ 12,515	$ —	$ 12,515
Costs and expenses	—	—	10,399	—	10,399
Income from operations	—	—	2,116	—	2,116
Other income (expense):					
Interest income (expense)	(324)	(38)	(107)	—	(469)
Equity in earnings of subsidiaries, net of taxes	1,149	1,172	—	(2,321)	—
Equity in net losses of unconsolidated entities and other, net	—	—	(16)	—	(16)
	825	1,134	(123)	(2,321)	(485)
Income before income taxes	825	1,134	1,993	(2,321)	1,631
Provision for (benefit from) income taxes	(128)	(15)	772	—	629
Consolidated net income	953	1,149	1,221	(2,321)	1,002
Less: Net income attributable to noncontrolling interests	—	—	49	—	49
Net income attributable to Waste Management, Inc.	$ 953	$ 1,149	$ 1,172	$ (2,321)	$ 953

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS (Continued)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Year Ended December 31, 2009					
Operating revenues	$ —	$ —	$ 11,791	$ —	$ 11,791
Costs and expenses	—	—	9,904	—	9,904
Income from operations	—	—	1,887	—	1,887
Other income (expense):					
Interest income (expense)	(268)	(41)	(104)	—	(413)
Equity in earnings of subsidiaries, net of taxes	1,157	1,182	—	(2,339)	—
Equity in net losses of unconsolidated entities and other, net	—	—	(1)	—	(1)
	889	1,141	(105)	(2,339)	(414)
Income before income taxes	889	1,141	1,782	(2,339)	1,473
Provision for (benefit from) income taxes	(105)	(16)	534	—	413
Consolidated net income	994	1,157	1,248	(2,339)	1,060
Less: Net income attributable to noncontrolling interests	—	—	66	—	66
Net income attributable to Waste Management, Inc.	$ 994	$ 1,157	$ 1,182	$ (2,339)	$ 994

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
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	12	(3)	1,451	—	1,460
Net cash provided by (used in) operating activities	(195)	(23)	2,687	—	2,469
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	(5)	—	(25)	—	(30)
Net cash provided by (used in) investing activities	(5)	—	(2,180)	—	(2,185)
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	(12)	170	(158)	—	—
Net cash provided by (used in) financing activities	(146)	23	(443)	—	(566)
Effect of exchange rate changes on cash and cash equivalents	—	—	1	—	1
Increase (decrease) in cash and cash equivalents	(346)	—	65	—	(281)
Cash and cash equivalents at beginning of period	465	—	74	—	539
Cash and cash equivalents at end of period	$ 119	$ —	$ 139	$ —	$ 258

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
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	44	(3)	1,232	—	1,273
Net cash provided by (used in) operating activities	(152)	(26)	2,453	—	2,275
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	(5)	—	(134)	—	(139)
Net cash provided by (used in) investing activities	(5)	—	(1,601)	—	(1,606)
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	611	61	(672)	—	—
Net cash provided by (used in) financing activities	(471)	26	(828)	—	(1,273)
Effect of exchange rate changes on cash and cash equivalents	—	—	3	—	3
Increase (decrease) in cash and cash equivalents	(628)	—	27	—	(601)
Cash and cash equivalents at beginning of period	1,093	—	47	—	1,140
Cash and cash equivalents at end of period	$ 465	$ —	$ 74	$ —	$ 539

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Year Ended December 31, 2009					
Cash flows from operating activities:					
Consolidated net income	$ 994	$ 1,157	$ 1,248	$ (2,339)	$ 1,060
Equity in earnings of subsidiaries, net of taxes	(1,157)	(1,182)	—	2,339	—
Other adjustments	26	(3)	1,279	—	1,302
Net cash provided by (used in) operating activities	(137)	(28)	2,527	—	2,362
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(281)	—	(281)
Capital expenditures	—	—	(1,179)	—	(1,179)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	28	—	28
Net receipts from restricted trust and escrow accounts and other, net	—	—	182	—	182
Net cash provided by (used in) investing activities	—	—	(1,250)	—	(1,250)
Cash flows from financing activities:					
New borrowings	1,385	—	364	—	1,749
Debt repayments	(810)	—	(525)	—	(1,335)
Common stock repurchases	(226)	—	—	—	(226)
Cash dividends	(569)	—	—	—	(569)
Exercise of common stock options	20	—	—	—	20
Distributions paid to noncontrolling interests and other	3	—	(99)	—	(96)
(Increase) decrease in intercompany and investments, net	977	28	(1,005)	—	—
Net cash provided by (used in) financing activities	780	28	(1,265)	—	(457)
Effect of exchange rate changes on cash and cash equivalents	—	—	5	—	5
Increase (decrease) in cash and cash equivalents	643	—	17	—	660
Cash and cash equivalents at beginning of period	450	—	30	—	480
Cash and cash equivalents at end of period	$ 1,093	$ —	$ 47	$ —	$ 1,140

24. New Accounting Pronouncements

Fair Value Measurements — 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. The amendments to authoritative guidance associated with fair value measurements were effective for the Company on January 1, 2012 and are to be applied prospectively. We do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Effecti eness 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, 2011 (the end of the period covered by this Annual Report on Form 10-K).

Management s Report on Internal Control O er 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, 2011 as stated in their report, which appears in Item 8 of this report.

Changes in Internal Control o er Financial Reporting

Management, together with our principal executive and financial officers, evaluated the changes in our internal control over financial reporting during the quarter ended December 31, 2011. We determined that there were no changes in our internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***O Information.***
ther

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 2012 Annual Meeting of Stockholders (the "Proxy Statement"), to be held May 10, 2012. 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, principal financial officer 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 http://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.

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 Ser ices.**

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 I

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, 2011 and 2010
Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009
Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009
Consolidated Statements of Changes in Equity for the years ended December 31, 2011, 2010 and 2009
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.

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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 16, 2012

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.

Signature	Title	Date
/s/ DAVID P. STEINER David P. Steiner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 16, 2012
/s/ STEVEN C. PRESTON Steven C. Preston	Executive Vice President — Finance, Recycling & Energy Services (Principal Financial Officer)	February 16, 2012
/s/ GREG A. ROBERTSON Greg A. Robertson	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 16, 2012
/s/ BRADBURY H. ANDERSON Bradbury H. Anderson	Director	February 16, 2012
/s/ PASTORA SAN JUAN CAFFERTY Pastora San Juan Cafferty	Director	February 16, 2012
/s/ FRANK M. CLARK Frank M. Clark	Director	February 16, 2012
/s/ PATRICK W. GROSS Patrick W. Gross	Director	February 16, 2012
/s/ JOHN C. POPE John C. Pope	Director	February 16, 2012
/s/ W. ROBERT REUM W. Robert Reum	Chairman of the Board and Director	February 16, 2012
/s/ STEVEN G. ROTHMEIER Steven G. Rothmeier	Director	February 16, 2012
/s/ THOMAS H. WEIDEMEYER Thomas H. Weidemeyer	Director	February 16, 2012

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, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, and have issued our report thereon dated February 16, 2012 (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 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.

ERNST & YOUNG LLP

Houston, Texas
February 16, 2012

Schedule

WASTE MANAGEMENT, INC.

SCHEDULE II ALUATION AND UALIFYING ACCOUNTS
(In Millions)

	Balance Beginning of Year	Charged (Credited) to Income	Accounts Written Off Use of Reser e	Other(a)	Balance End of Year
2009 — Reserves for doubtful accounts(b)	$ 39	$ 48	$ (57)	$ 2	$ 32
2010 — Reserves for doubtful accounts(b)	$ 32	$ 41	$ (47)	$ 1	$ 27
2011 — Reserves for doubtful accounts(b)	$ 27	$ 44	$ (42)	$ —	$ 29
2009 — Merger and restructuring accruals(c)	$ 2	$ 50	$ (42)	$ —	$ 10
2010 — Merger and restructuring accruals(c)	$ 10	$ (2)	$ (5)	$ —	$ 3
2011 — Merger and restructuring accruals(c)	$ 3	$ 19	$ (13)	$ —	$ 9

(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.

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INDEX TO EXHIBITS

Exhibit No.		Description
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.
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, 2011].
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, 2011].
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 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 25, 2009].
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].

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 — CDN $410,000,000 Credit Facility Credit Agreement by and between Waste Management of Canada Corporation (as Borrower), Waste Management, Inc. and Waste Management Holdings, Inc. (as Guarantors), BNP Paribas Securities Corp. and Scotia Capital (as Lead Arrangers and Book Runners) and Bank of Nova Scotia (as Administrative Agent) and the Lenders from time to time party to the Agreement dated as of November 30, 2005 [Incorporated by reference to Exhibit 10.32 to Form 10-K for the year ended December 31, 2005].

10.10 — First Amendment Agreement dated as of December 21, 2007 to a Credit Agreement dated as of November 30, 2005 by and between Waste Management of Canada Corporation as borrower, Waste Management, Inc. and Waste Management Holdings, Inc. as guarantors, the lenders from time to time party thereto and the Bank of Nova Scotia as Administrative Agent [Incorporated by reference to Exhibit 10.28 to Form 10-K for the year ended December 31, 2007].

10.11† — 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].

10.12† — 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].

10.13† — 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].

10.14† — 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].

10.15† — Employment Agreement between the Company and David Steiner dated as of May 6, 2002 [Incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2002].

10.16† — Employment Agreement between the Company and James E. Trevathan dated as of June 1, 2000 [Incorporated by reference to Exhibit 10.20 to Form 10-K for the year ended December 31, 2000].

10.17† — Employment Agreement between Recycle America Alliance, L.L.C. and Patrick DeRueda dated as of August 4, 2005 [Incorporated by reference to Exhibit 10.1 to Form 8-K dated August 4, 2005].

10.18† — Employment Agreement between the Company and Robert G. Simpson dated as of October 20, 2004 [Incorporated by reference to Exhibit 10.1 to Form 8-K dated October 20, 2004].

10.19† — Employment Agreement between the Company and Barry H. Caldwell dated as of September 23, 2002 [Incorporated by reference to Exhibit 10.24 to Form 10-K for the year ended December 31, 2002].

10.20† — 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].

10.21† — Employment Agreement between the Company and Rick L Wittenbraker dated as of November 10, 2003 [Incorporated by reference to Exhibit 10.30 to Form 10-K for the year ended December 31, 2003].

10.22† — 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].

10.23† — 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].

10.24† — Employment Agreement between the Company and Michael Jay Romans dated January 25, 2007 [Incorporated by reference to Exhibit 10.1 to Form 8-K dated January 25, 2007].

10.25†	—	Resignation Agreement by and between the Company and Michael Jay Romans dated June 14, 2011 [Incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2011].
10.26†	—	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].
10.27†	—	Amendment to Employment Agreement between the Company and Jim Trevathan [Incorporated by reference to Exhibit 10.3 to Form 8-K dated March 9, 2011].
10.28†	—	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].
10.29†	—	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].
10.30†	—	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].
10.31†	—	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].
10.32†	—	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].
10.33†	—	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].
10.34†	—	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].
10.35†	—	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].
10.36†	—	Form of 2011 Performance Share Unit Award Agreement [Incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2011].
10.37†	—	Form of 2011 Stock Option Award Agreement [Incorporated by reference to Exhibit 10.2 to Form 8-K dated March 9, 2011].
10.38†	—	Form of 2010 Performance Share Unit Award Agreement [Incorporated by reference to Exhibit 10.1 to Form 8-K dated March 9, 2010].
10.39†	—	Form of 2010 Stock Option Unit Award Agreement [Incorporated by reference to Exhibit 10.2 to Form 8-K dated March 9, 2010].
10.40†	—	Form of 2009 Performance Share Unit Award Agreement [Incorporated by reference to Exhibit 10.1 to Form 8-K dated February 24, 2009].
12.1*	—	Computation of Ratio of Earnings to Fixed Charges.
21.1*	—	Subsidiaries of the Registrant.
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 Steven C. Preston, Executive Vice President — Finance, Recycling & Energy Services.
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 Steven C. Preston, Executive Vice President — Finance, Recycling & Energy Services.
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 3.2

AMENDED AND RESTATED BY-LAWS

OF

WASTE MANAGEMENT, INC.

AS OF UNE 21, 2011

ARTICLE I

OFFICES

SECTION 1.1. Registered Office. The registered office of the Corporation required by the General Corporation Law of the State of Delaware to be maintained in the State of Delaware shall be the registered office named in the original Certificate of Incorporation of the Corporation, or such other office as may be designated from time to time by the Board of Directors in the manner provided by law. Should the Corporation maintain a principal office or place of business within the State of Delaware, such registered office need not be identical to such principal office or place of business of the Corporation.

SECTION 1.2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2.1. Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation, or at such other place, if any, either within or without the State of Delaware and at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice or waivers of notice of the meeting.

SECTION 2.2. List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders (provided, however, if the record date for determining the stockholders entitled to vote is less than 10 days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting), a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order for each class of stock, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, at least 10 days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.2 or to vote in person or by proxy at any meeting of stockholders.

SECTION 2.3. Annual Meetings. If required by applicable law, an annual meeting of stockholders shall be held for the election of directors at such date, time and place, if any, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

SECTION 2.4. Special Meetings.

(a) General. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by the General Corporation Law of the State of Delaware, may be called by the Chairman of the Board (if any), the Chief Executive Officer, or by written order of a majority of the Board of Directors (each, a "Special Meeting Request"). A special meeting of stockholders shall be called by the Secretary upon the written request of the record holders having an aggregate "net long position" of at least twenty-five percent (25%) of the outstanding common stock of the Corporation, and having held such "net long position" continuously for at least one year, as of the date of such request (the "Requisite Percent"), subject to Subsection (b) of this Section 2.4 (a "Stockholder Requested Special Meeting"). "Net long position" shall be determined with respect to each requesting holder in accordance with the definition thereof set forth in Rule 14e-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provided that (x) for purposes of such definition, in determining such holder's "short position," the reference in such Rule to "the date the tender offer is first publicly announced or otherwise made known by the bidder to the holders of the security to be acquired" shall be the date of the relevant Special Meeting Request and all dates in the one year period prior thereto, and the reference to the "highest tender offer price or stated amount of the consideration offered for the subject security" shall refer to the closing sales price of the Corporation's common stock on the New York Stock Exchange on such corresponding date (or, if such date is not a trading day, the next succeeding trading day) and (y) the net long position of such holder shall be reduced by the number of shares as to which such holder does not, or will not, have the right to vote or direct the vote at the Special Meeting or as to which such holder has entered into any derivative or other agreement, arrangement or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares. Whether the requesting holders have complied with the requirements of this Article and related provisions of the By-laws shall be determined in good faith by the Board, which determination shall be conclusive and binding on the Corporation and the stockholders.

(b) Stockholder Requested Special Meetings. In order for a Stockholder Requested Special Meeting to be called, one or more requests for a special meeting (each, a

"Stockholder Special Meeting Request," and collectively, the "Stockholder Special Meeting Requests") must be signed by the Requisite Percent of record holders (or their duly authorized agents) and must be delivered to the Secretary. The Stockholder Special Meeting Request(s) shall be delivered to the Secretary at the principal executive offices of the Corporation by registered mail, return receipt requested. Each Stockholder Special Meeting Request shall (i) set forth a statement of the specific purpose(s) of the meeting and the matters proposed to be acted on at it, (ii) bear the date of signature of each such stockholder (or duly authorized agent) signing the Stockholder Special Meeting Request, (iii) set forth (A) the name and address, as they appear in the Corporation's stock ledger, of each stockholder signing such request (or on whose behalf the Stockholder Special Meeting Request is signed), (B) the class, if applicable, and the number of shares of common stock of the Corporation that are owned of record and beneficially by each such stockholder and (C) include documentary evidence of such stockholder's record and beneficial ownership of such stock, (iv) set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case, pursuant to Regulation 14A under the Exchange Act and (v) contain the information required by Section 2.13 of these by-laws. Any requesting stockholder may revoke his, her or its request for a special meeting at any time by written revocation delivered to the Secretary at the principal executive offices of the Corporation, and if, following such revocation, there are un-revoked requests from stockholders holding in the aggregate less than the Requisite Percent, the Board of Directors, in its discretion, may cancel the special meeting.

(c) Calling of a Special Meeting. Notwithstanding the foregoing, the Secretary shall not be required to call a special meeting of stockholders if (i) the Board of Directors calls an annual or special meeting of stockholders to be held not later than sixty (60) days after the date on which a valid Special Meeting Request or Stockholder Special Meeting Request(s) have been delivered to the Secretary (the "Delivery Date"); or (ii) the Special Meeting Request or the Stockholder Special Meeting Request(s) (A) is received by the Secretary during the period commencing ninety (90) days prior to the first anniversary of the date of the immediately preceding annual meeting and ending on the date of the next annual meeting; (B) contains an identical or substantially similar item (a "Similar Item") to an item that was presented at any meeting of stockholders held within one hundred and twenty (120) days prior to the Delivery Date (and, for purposes of this clause (B) the election of directors shall be deemed a "Similar Item" with respect to all items of business involving the election or removal of directors); (C) relates to an item of business that is not a proper subject for action by the party requesting the special meeting under applicable law; (D) was made in a manner that involved a violation of Regulation 14A under the Exchange Act or other applicable law; or (E) does not comply with the provisions of this Section 2.4.

(d) Holding a Special Meeting. Except as provided in the next sentence, any special meeting shall be held at such date and time as may be fixed by the Board of Directors in accordance with these by-laws and the General Corporation Law of the State of Delaware. In the case of a Stockholder Requested Special Meeting, such meeting shall be held at such date and time as may be fixed by the Board of Directors; provided, however, that the date of any Stockholder Requested Special Meeting shall be not more than sixty (60) days after the record date for such meeting (the "Meeting Record Date"), which shall be fixed in accordance with Section 2.12 of these by-laws; provided further that, if the Board of Directors fails to designate, within ten (10) days after the Delivery Date, a date and time for a Stockholder Requested Special Meeting, then such meeting shall be held at 9:00 a.m. local time on the 60th day after the Meeting Record Date (or, if that day shall not be a business day, then on the next preceding business day); and provided further that in the event that the Board of Directors fails to designate a place for a Stockholder Requested Special Meeting within ten (10) days after the Delivery Date, then such meeting shall be held at the Corporation's principal executive offices. In fixing a date and time for any Stockholder Requested Special Meeting, the Board of Directors may consider such factors as it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for meeting and any plan of the Board of Directors to call an annual meeting or a special meeting.

(e) Business Transacted at a Special Meeting. Business to be transacted at a special meeting may only be brought before the meeting pursuant to the Corporation's notice of meeting. Business transacted at any Stockholder Requested Special Meeting shall be limited to the purpose(s) stated in the Stockholder Special Meeting Request(s); provided, however, that nothing herein shall prohibit the Board of Directors from submitting matters to the stockholders at any Stockholder Requested Special Meeting.

SECTION 2.5. Notice of Meeting. Whenever stockholders are required or permitted to take any action at a meeting, notice of the meeting stating the place, if any, date and time of the meeting, the means of remote communication, if any, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining the stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given. Unless otherwise provided by law, the Certificate of Incorporation or these by-laws, the notice of any meeting shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at the meeting as of the record date for determining the stockholders entitled to notice of the meeting. Such notice may be delivered either personally or by mail. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. Without limiting the foregoing, any notice to stockholders given by the Corporation pursuant to this Section 2.5 shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation and shall also be deemed revoked if (1) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (2) such inability becomes known to the Secretary or Assistant Secretary of the Corporation, the transfer agent or other person responsible for the giving of notice; provided, however, the failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by a form of electronic transmission in accordance with these by-laws shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (iv) if by another form of electronic transmission, when directed to the stockholder. For purposes of these by-laws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient.

Without limiting the foregoing, any notice to stockholders given by the Corporation may be given by a single written notice to stockholders who share an address if consented to by the stockholders at such address to whom such notice is given. Any such consent shall be revocable by the stockholders by written notice to the Corporation. Any stockholder who fails to object in writing to the Corporation within 60 days of having been given written notice by the Corporation of its intention to send the single notice as set forth in this Section 2.5 shall be deemed to have consented to receiving such single written notice.

SECTION 2.6. Quorum; Adjournment. The holders of a majority in voting power of the stock issued and outstanding and entitled to vote at a meeting of stockholders, present in person or represented by proxy, shall constitute a quorum at such meeting for the transaction of business except as otherwise provided by law or the Certificate of Incorporation. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Notwithstanding the other provisions of the Certificate of Incorporation or these by-laws, the chairman of the meeting or the holders of a majority in voting power of the shares of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, although not constituting a quorum, shall have power to adjourn, postpone, or recess the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned, postponed, or recessed meeting. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

SECTION 2.7. Voting. When a quorum is present at any meeting of the stockholders, the vote of the holders of a majority of the stock having voting power, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes, of the Certificate of Incorporation, or of these by-laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Where a separate vote by class is required, the affirmative vote of the majority of shares of such class present in person or represented by proxy at the meeting shall be the act of such class. Every stockholder having the right to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder, bearing a date not more than three years prior to voting, unless such instrument provides for a longer period, and filed with the Secretary of the Corporation, or such other officer as the Board of Directors may from time to time determine by resolution, before, or at the time of, the meeting.

Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power. If such instrument shall designate two or more persons to act as proxies, unless such instrument shall provide the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one, or, if an even number attend and a majority do not agree on any particular issue, each proxy so attending shall be entitled to exercise such powers in respect of the same portion of the shares as he is of the proxies representing such shares.

SECTION 2.8. Voting of Stock of Certain Holders; Elections; Inspectors. Shares held in the name of another entity, domestic or foreign, may be voted by such officer, agent, authorized person or proxy as the organizational documents of such entity may prescribe, or in the absence of such provision, as the board of directors or other governing body of such entity may determine. Shares held in the name of a deceased person may be voted by the executor or administrator of such deceased person, either in person or by proxy. Shares held in the name of a guardian, conservator or trustee may be voted by such fiduciary, either in person or by proxy, but no fiduciary shall be entitled to vote shares held in such fiduciary capacity without a transfer of such shares into the name of such fiduciary. Shares held in the name of a receiver may be voted by such receiver. A stockholder whose shares are pledged shall be entitled to vote such shares, unless in the transfer by the pledgor on the books of the Corporation, he has expressly empowered the pledgee to vote such shares, in which case only the pledgee, or his proxy, may represent the stock and vote such shares.

If shares (or other securities having voting power) are held of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary of the Corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

(a) If only one votes, his act binds all;

(b) If more than one vote, the act of the majority so voting binds all; or

(c) If more than one vote, but the vote is evenly split on any particular matter, each fraction may vote the securities in question proportionally, or any person voting the shares, or a beneficiary, if any, may apply to the Delaware Court of Chancery or such other court as may have jurisdiction to appoint an additional person to act with the persons so voting the shares, which shall then be voted as determined by a majority of such persons and the person appointed by such court. If the instrument so filed shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of this subsection shall be a majority or even-split in interest.

All voting of stockholders shall be taken by written ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. All proxies submitted to management may be voted by a master ballot.

Unless otherwise provided in the Certificate of Incorporation, cumulative voting for the election of directors shall be prohibited.

SECTION 2.9. Inspector of Elections. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

SECTION 2.10. Conduct of Meeting. The meetings of the stockholders shall be presided over by the Chairman of the Board (if any), or if he is not present, by the Vice Chairman of the Board (if any, but if there is more than one, the Vice Chairman who is senior in terms of time as such), or if neither the Chairman of the Board (if any) nor the Vice Chairman of the Board (if any) is present, by the Chief Executive Officer, or if neither the Chairman of the Board (if any), the Vice Chairman of the Board (if any) nor the Chief Executive Officer is present, by a chairman designated by the Board of Directors. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if he is not present, an Assistant Secretary shall so act; if neither the Secretary nor an Assistant Secretary is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of stockholders shall determine the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting and the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order. Unless the chairman of the meeting of stockholders shall otherwise determine, the order of business shall be as follows:

(a) Calling of meeting to order.

(b) Election of a chairman and the appointment of a secretary if necessary.

(c) Presentation of proof of the due calling of the meeting.

(d) Presentation and examination of proxies and determination of a quorum.

(e) Reading and settlement of the minutes of the previous meeting.

(f) Reports of officers and committees.

(g) The election of directors if an annual meeting, or a meeting called for that purpose.

(h) Unfinished business.

(i) New business.

(j) Adjournment.

Without limiting the foregoing, except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 2.11. Treasury Stock. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any subsidiary of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

SECTION 2.12. Fixing Record Date; Action by Written Consent.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action (other than action by consent in writing without a meeting), the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (1) in the case of determination of stockholders entitled to notice of any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting; and (2) in the case of any other action (other than action by consent in writing without a meeting), shall not be more than 60 days prior to such other action. If the Board of Directors so fixes a date for determining stockholders entitled to notice of the meeting, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date for determining stockholders entitled to notice of the meeting, that a later date on or before the date of the meeting shall be the date for determining stockholders entitled to vote at the meeting. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (2) the record date for determining stockholders for any other purpose (other than action by consent in writing without a meeting) shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request that the Board of Directors fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such written notice is received, adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this Section 2.12(b)). If no record date has been fixed by the Board of Directors pursuant to the first sentence of this Section 2.12(b) or otherwise within 10 days after the date on which such written notice is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date after the expiration of such 10 day time period on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or to any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. If no record date has been fixed by the Board of Directors pursuant to the first sentence of this Section 2.12(b), the record date for determining stockholders entitled to consent to corporate action in writing without a meeting if prior action by the Board of Directors is required by applicable law shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(c) In the event of the delivery, in the manner provided by this Section 2.12 and applicable law, to the Corporation of written consent or consents to take corporate action and/or any related revocation or revocations, the Corporation shall engage independent inspectors of elections for the purpose of performing promptly a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent and without a meeting shall be effective until such inspectors have completed their review, determined that the requisite number of valid and unrevoked consents delivered to the Corporation in accordance with this Section 2.12 and applicable law have been obtained to authorize or take the action specified in the consents, and certified such determination for entry in the records of the Corporation kept for the purpose of recording the proceedings of meetings of stockholders. Nothing contained in this Section 2.12(c) shall in any way be construed to suggest or imply that the Board of Directors or any stockholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after such certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(d) Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days after the earliest dated written consent received in accordance with this Section 2.12, a valid written consent or valid written consents signed by a sufficient number of stockholders to take such action are delivered to the Corporation in the manner prescribed in this Section 2.12 and applicable law, and not revoked.

SECTION 2.13 Stockholder Proposals. At an annual or special meeting of the stockholders, only such business (other than nominations of persons for election to the Board of Directors) shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual or special meeting, business (other than nominations of persons for election to the Board of Directors) must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Chairman of the Board, the Chief Executive Officer, or the Board of Directors or any committee thereof, (b) otherwise properly brought before the meeting by or at the direction of the Chairman of the Board, the Chief Executive Officer, or the Board of Directors or any committee thereof, or (c) otherwise properly brought before the meeting by a stockholder of the Corporation of record at the time the notice provided for in this Section 2.13 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who otherwise complies with the notice procedures set forth in this Section 2.13. For any proposed business to be properly brought before an annual or special meeting of stockholders pursuant to clause (c) above of this paragraph, the proposed business must constitute a proper matter for stockholder action.

No proposal (other than nominations of persons for election to the Board of Directors) by a stockholder shall be presented at an annual or special meeting of stockholders unless such stockholder shall provide the Board of Directors or the Secretary of the Corporation with timely written notice of his, her or its intention to present a proposal for action at the forthcoming meeting of stockholders, which notice shall include as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (a) the name and address of such stockholder as they appear on the Corporation's books, and of such beneficial owner,

(b) the class or series and number of voting securities of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (c) a description of any agreement, arrangement or understanding with respect to the proposal between or among such stockholder and/or such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, (d) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Corporation, (e) a brief description of the business desired to be brought before the meeting, the text of the proposal to be presented at the meeting (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these by-laws, the language of the proposed amendment), (f) a statement in support of the proposal, (g) any material interest of the stockholder in such proposal, (h) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, (i) a representation whether the stockholder or the beneficial owner intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (2) otherwise solicit proxies from stockholders in support of such proposal, and (j) any other information relating to such stockholder and beneficial owner required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. To be timely, a stockholder's notice (other than for the nominations of persons for election to the Board of Directors) with respect to an annual meeting of stockholders must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 120 days nor more than 150 days in advance of the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be timely, a stockholder's notice (other than for the nominations of persons for election to the Board of Directors) with respect to a special meeting of stockholders must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 90 days nor more than 120 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public announcement of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifth (5th) day following the day on which such notice of the date of the special meeting was mailed or such public announcement was made. For purposes of these by-laws, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder. The foregoing notice requirements of this Section 2.13 shall be deemed satisfied by a stockholder with respect to business (other than nominations of persons for election to the Board of Directors) if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual or special meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual or special meeting.

This provision shall not prevent the consideration and approval or disapproval at a meeting of stockholders of reports of officers, directors, and committees; but in connection with such reports, no new business shall be acted upon at such meeting unless stated and filed as provided in this Section 2.13. Notwithstanding anything in these by-laws to the contrary, no business (other than nominations of persons for election to the Board of Directors) shall be conducted at any annual or special meeting of stockholders except in accordance with the procedures set forth in this Section 2.13 and no nominations shall be considered at an annual or special meeting of stockholders except in accordance with Section 2.14 below. The chairman of the annual meeting or a special meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.13 (including whether the stockholder or beneficial owner, if any, on whose behalf the proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by clause (i) of this Section 2.13) and if any proposed business was not proposed in compliance with this Section 2.13, to declare that such proposed business shall not be transacted, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.13, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.13, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Notwithstanding any other provision of these by-laws, the Corporation shall be under no obligation to include any stockholder proposal in its proxy statement materials or otherwise present any such proposal to stockholders at a special or annual meeting of stockholders if the Board of Directors reasonably believes the proponents thereof have not complied with Sections 13 and 14 of the Exchange Act and the rules and regulations promulgated thereunder, and the Corporation shall not be required to include in its proxy statement material to stockholders any stockholder proposal not required to be included in its proxy material to stockholders in accordance with the Exchange Act and the rules and regulations promulgated thereunder.

Notwithstanding the foregoing provisions of this Section 2.13, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.13; provided however, that any references in these by-laws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any other business to be considered pursuant to this Section 2.13, and compliance with this Section 2.13 shall be the exclusive means for a stockholder to submit other business (other than matters brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 2.13 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

SECTION 2.14. Nomination of Directors. Only persons who are nominated in accordance with the procedures of this Section 2.14 shall be eligible for election as directors. Subject to the rights of holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation, nominations for the election of directors may be made (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board of Directors or any committee thereof, or (c) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time notice provided for in this Section 2.14 is delivered to the Secretary of the Corporation, who is entitled to vote in the election of directors and who complies with the notice procedures set forth in this Section 2.14. Such stockholder may nominate one or more persons for election as a director at an annual or special meeting of stockholders only if timely written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by U.S. mail, first class postage prepaid, return receipt requested, to the Secretary of the Corporation, or as otherwise provided in accordance with applicable law.

To be timely, a stockholder's notice with respect to an annual meeting of stockholders must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 120 days nor more than 150 days in advance of the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election as a director (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder, and (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class or series and number of voting securities of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a description of any agreement, arrangement or understanding with respect to the proposal between or among such stockholder and/or such beneficial owner, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder and such beneficial owners, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or such beneficial owner, with respect to shares of stock of the Corporation, (v) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, (vi) a representation whether the stockholder or the beneficial owner intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee and/or (B) otherwise to solicit proxies from stockholders in support of such nomination, and (vii) any other information relating to such stockholder and beneficial owner required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation. Notwithstanding anything in the first sentence of this paragraph to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased effective at the annual meeting and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.14 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth (10^{th}) day following the day on which such public announcement is first made by the Corporation. At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee.

Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board of Directors or any committee thereof or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.14 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 2.14. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by this Section 2.14 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120^{th}) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90^{th}) day prior to such special meeting, or the tenth (10^{th}) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

Only such persons who are nominated in accordance with the procedures set forth in this Section 2.14 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors.

Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination brought before the meeting was made in accordance with the procedures set forth in this Section 2.14 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee in compliance with such stockholder's representation as required by clause (b)(vi) of this Section 2.14) and (b) if any proposed nomination was not made in compliance with this Section 2.14, to declare that such nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.14, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.14, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Notwithstanding the foregoing provisions of this Section 2.14, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.14; provided however, that any references in these by-laws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations as to any other business to be considered pursuant to this Section 2.14, and compliance with this Section 2.14 shall be the exclusive means for a stockholder to make nominations. Nothing in this Section 2.14 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provision of the Certificate of Incorporation.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.1. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and thing as are not by law or by the Certificate of Incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

SECTION 3.2. Number, Election and Term. Except as otherwise provided in the Certificate of Incorporation relating to the rights of the holders of any class or series of Preferred Stock, voting separately by class or series, to elect additional directors under specified circumstances, the number of directors of the Corporation shall initially be the number specified in the Certificate of Incorporation, and subject to the following sentence, such number may be increased or decreased by a resolution duly adopted by the Board of Directors. Unless approved by at least two-thirds of the incumbent directors, the number of directors which shall constitute the whole Board of Directors shall be no fewer than three and no more than nine. Unless otherwise provided in the Certificate of Incorporation, directors need not be residents of the State of Delaware or stockholders of the Corporation.

Each director, other than those who may be elected by the holders of any class or series of Preferred Stock, voting separately by class or series, shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this Section, a majority of the votes cast means that the number of shares voted "for" a director must exceed 50% of the votes cast with respect to that director. If a director is not elected, the director shall offer to tender his or her resignation to the Board. The Nominating and Governance Committee will make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The director who tenders his or her resignation will not participate in the Board's decision. Directors shall hold office until the next annual meeting and until their successors shall be duly elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. Any director may resign at any time upon notice to the Corporation.

SECTION 3.3. Vacancies, Additional Directors and Removal From Office. Except as otherwise provided pursuant to the provisions of the Certificate of Incorporation relating to the rights of the holders of any class or series of Preferred Stock, voting separately by class or series, to elect directors under specified circumstances, any director or directors may be removed from office at any time, with or without cause but only by the affirmative vote, at any regular meeting or special meeting (as the case may be) of the stockholders, of a majority of the outstanding shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class, but only if notice of such proposal was contained in the notice of such meeting.

Unless otherwise provided by law or the Certificate of Incorporation, in the event of any increase in the authorized number of directors, any newly created directorship resulting from such increase or any vacancy occurring in the Board of Directors for any cause shall be filled solely by the vote of a majority of the remaining members of the Board of Directors whether or not a quorum, and any director so elected shall hold office until the expiration of the term of office of the director whom he has replaced or until his successor is duly elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 3.4. Regular Meeting. A regular meeting of the Board of Directors shall be held each year, without notice other than this by-law, at the place of, and on the day of, the annual meeting of stockholders if a quorum is present; and other regular meetings of the Board of Directors shall be held each year, at such time and place either within or without the State of Delaware as the Board of Directors may determine.

SECTION 3.5. Special Meeting. A special meeting of the Board of Directors may be called by the Chairman of the Board (if any) or by the Chief Executive Officer and shall be called by the Secretary on the written request of a majority of the directors. The Chairman or Chief Executive Officer so calling, or the directors so requesting, any such meeting shall fix the time and place, either within or without the State of Delaware, of holding such meeting.

SECTION 3.6. Notice of Special Meeting. Notice of special meetings of the Board of Directors shall be given to each director at least 24 hours prior to the time of such meeting by mail, personal delivery, facsimile, telephone or other means of electronic communication. Any director may waive notice of any meeting, whether before or after the time specified therein. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the directors, or members of a committee of directors, need be specified in a waiver of notice.

SECTION 3.7. Place of Meetings; Order of Business. The directors may hold their meetings and may have an office and keep the books of the Corporation, except as otherwise provided by law, in such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine. The Chairman of the Board shall preside at all meetings of the Board of Directors. In the absence of the Chairman of the Board, the Chairman of the Nominating and Governance Committee will preside at all meetings of the Board of Directors. If both the Chairman of the Board and the Chairman of the Nominating and

Governance Committee are absent or unable to act as chairman, a chairman shall be elected from the directors present. The Secretary of the Corporation shall act as secretary of all meetings of the directors; but in the absence of the Secretary, the Chairman may appoint any person to act as secretary of the meeting. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board or, in his absence, by the director elected as chairman of the meeting.

SECTION 3.8. Quorum and Participation; Telephonic Meeting. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these by-laws. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person and attendance at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

SECTION 3.9. Presumption of Assent. A director who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 3.10. Action By Unanimous Consent of Directors. Unless otherwise restricted by the Certificate of Incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof as provided in Article IV of these by-laws, may be taken without a meeting, if all members of the Board or of such committee, as the case may be, consent thereto in writing or by electronic transmission and such written consent or electronic transmission is filed with the minutes of proceedings of the Board or committee. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State of the State of Delaware.

SECTION 3.11. Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors. No provision of these by-laws shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 3.12. Approval, Adoption or Ratification of Acts or Agreements by Stockholders. The Board of Directors in its discretion may submit any act or agreement for approval, adoption or ratification at any annual meeting of the stockholders, or at any special meeting of the stockholders called for the purpose of considering any such act or agreement, and any act or agreement that shall be approved, adopted or ratified by the vote of the stockholders holding a majority in voting power of the issued and outstanding shares of stock of the Corporation entitled to vote and present in person or by proxy at such meeting (provided that a quorum is present), shall be as valid and as binding upon the Corporation and upon all the stockholders as if it has been approved, adopted or ratified by every stockholder of the Corporation subject to the Certificate of Incorporation, applicable law or the rules and regulations of any exchange on which shares of the Corporation's stock are traded. In addition, any such act or contract may be approved, adopted or ratified by the written consent of stockholders holding a majority of the issued and outstanding shares of capital stock of the Corporation entitled to vote and such consent shall be as valid and as binding upon the Corporation and upon all the stockholders as if it had been approved or ratified by every stockholder of the Corporation.

SECTION 3.13. Chairman of the Board. The Board of Directors annually shall elect a Chairman of the Board from among its members and shall fill any vacancy in the position of Chairman of the Board at such time and in such manner as the Board shall determine. The Chairman of the Board may, but need not, be an officer of or employed in an executive or any other capacity by the Corporation. The Chairman of the Board shall have the powers prescribed to him in Section 6.6 of these by-laws.

ARTICLE IV

COMMITTEES OF DIRECTORS

SECTION 4.1. Designation, Powers and Name. The Board of Directors shall designate a Nominating and Governance Committee, a Compensation Committee, and an Audit Committee and may, by resolution passed by a majority of the whole Board, designate one or more other committees, each such committee to consist of one or more of the directors of the Corporation. Any such designated committee shall have and may, to the fullest extent permitted by law, exercise such of the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation as may be provided in the resolution establishing such committee. Any such designated committee may authorize the seal of the Corporation to be affixed to all papers which may require it. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such name or names and such limitations of authority as may be determined from time to time by these by-laws, by the Charter for such committee adopted by the Board of Directors, or by a resolution adopted by the Board of Directors.

SECTION 4.2. Procedure; Meetings; Quorum. Any committee designated pursuant to Section 4.1 shall keep regular minutes of its proceedings and report the same to the Board of Directors when requested, shall fix its own rules or procedures to the extent not otherwise set forth in the Charter or resolution with respect to such committee adopted by the Board of Directors, and shall meet at such times and at such place or places as may be provided by such rules, by the Charter for such committee adopted by the Board of Directors, or by resolution of such committee or resolution of the Board of Directors. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

SECTION 4.3. Compensation. Compensation for membership on special or standing committees shall be as determined by the Board of Directors and may include, but not be limited to, retainers, meeting fees or special compensation for serving as a chairman of any such committee.

ARTICLE V

WAIVER OF NOTICE

SECTION 5.1. Methods of Giving Notice. Except as otherwise provided herein, whenever notice is required to be given to any director, member of any committee or stockholder, such notice shall be in writing and delivered personally or mailed to such director, member or stockholder; provided that in the case of a director or a member of any committee such notice may be given orally or by telephone, electronic or facsimile transmission. If mailed, notice to a director, member of a committee or stockholder shall be deemed to be given when deposited in the United States mail in a sealed envelope, with postage therein prepaid, addressed, in the case of a stockholder, to the stockholder at the stockholder's address as it appears on the records of the Corporation or, in the case of a director or a member of a committee, to such person at his business address. In the case of notice given by electronic or facsimile transmission, such notice shall be deemed to have been given on the date such transmission is sent or as otherwise determined in accordance with applicable law.

SECTION 5.2. Written Waiver. Whenever any notice is required to be given under the Certificate of Incorporation, these by-laws or applicable law, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these by-laws.

ARTICLE VI

OFFICERS

SECTION 6.1. Officers. The Board of Directors shall elect such officers of the Corporation with the titles and duties that it designates. The Chairman of the Board, and any Vice Chairmen of the Board, may, but need not, be officers of the Corporation or employed in an executive or any other capacity by the Corporation. There may be a Chief Executive Officer, a President, one or more Vice Presidents, any one or more of which may be designated Executive Vice President or Senior Vice President, a Chief Financial Officer, a General Counsel, a Secretary, a Treasurer, a Controller, and such other officers as the Board of Directors may elect or appoint. The Board of Directors may appoint such other officers and agents, including Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant Controllers, as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined by the Board. Any two or more offices may be held by the same person unless the Certificate of Incorporation provides otherwise. No officer shall execute, acknowledge, verify or countersign any instrument on behalf of the Corporation in more than one capacity, if such instrument is required by law, by these by-laws or by any act of the Corporation to be executed, acknowledged, verified or countersigned by two or more officers. The Chairman of the Board shall be elected from among the directors in accordance with Section 3.13 of these by-laws. With the foregoing exception, none of the other officers need be a director, and none of the officers need be a stockholder of the Corporation.

SECTION 6.2. Term of Office. Each officer shall hold office until his successor shall have been chosen and shall have qualified or until his death or the effective date of his resignation or removal.

SECTION 6.3. Removal and Resignation. Any officer or agent elected or appointed by the Board of Directors may be removed, with or without cause, by the affirmative vote of a majority of the Board of Directors whenever, in its judgment, the best interests of the Corporation shall be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. Any officer may resign at any time by giving written notice to the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6.4. Vacancies. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, may be filled solely by the Board of Directors for the unexpired portion of the term.

SECTION 6.5. Compensation. The compensation of the Corporation's executive officers (as determined in accordance with the Securities Exchange Act of 1934, as amended) and all members of the Corporation's Senior Leadership Team or other designated group of officers elected or appointed by the Board of Directors shall be fixed by the Management Development and Compensation Committee of the Board of Directors or pursuant to its direction; no officer shall be prevented from receiving such compensation by reason of his also being a director. Actions relating to the compensation of the Chief Executive Officer will be promptly reported to the Board of Directors.

SECTION 6.6. Chairman of the Board. The Chairman of the Board shall have all powers and shall perform all duties incident to the office of chairman of the board. The Chairman shall preside at all meetings of the Board of Directors and of the stockholders of the Corporation; shall formulate and submit to the Board of Directors or the Executive Committee (if any) matters of general policy of the Corporation; shall have authority to call special meetings of the stockholders and the Board of Directors; and shall have such other powers and perform such other duties as usually appertain to the office or as may be prescribed by the Board of Directors or the Executive Committee (if any). The Chairman of the Board may hold such offices as the Board of Directors may determine.

SECTION 6.7. Vice Chairman of the Board. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman (if any, but if there is more than one, the Vice Chairman who is senior in terms of time as such) shall perform the duties and exercise the powers of the Chairman of the Board, and when acting shall have all the powers of and be subject to all the restriction upon the Chairman of the Board. In the absence of the Chairman of the Board, such Vice Chairman shall preside at all meetings of the Board of Directors. In the Chairman's and Vice Chairman's absence, such duties shall be attended to by a chairman designated by the Board of Directors. The Vice Chairman shall perform such other duties, and shall have such other powers, as from time to time may be assigned to him by the Board of Directors or the Executive Committee (if any).

SECTION 6.8. Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general manage, supervise, and control the properties, business, and affairs of the Corporation with all such powers as may be reasonably incident to such responsibilities. Unless the Board of Directors otherwise determines, the Chief Executive Officer shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation in accordance with the internal policies and procedures of the Corporation in effect from time to time, including, if applicable, any limitations on dollar amounts of such obligations. In the absence of the Chairman of the Board and any Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders. He may also preside at any such meeting attended by the Chairman of the Board if he is so designated by the Chairman. Subject to any contractual limitations contained in any employment agreement or other applicable contract, he shall have the power to appoint and remove subordinate officers, agents, and employees; provided, however, that he shall not have the power to remove the President, General Counsel, Chief Financial Officer, Chief Accounting Officer or Vice President of Internal Audit without the approval of the Board of Directors.

The Chief Executive Officer shall keep the Board of Directors and the Executive Committee (if any) fully informed and shall consult them concerning the business of the Corporation. He shall perform all other duties normally incident to the office of Chief Executive Officer, and shall have such other powers and perform such other duties as may be prescribed by the stockholders, the Board of Directors or the Executive Committee (if any) from time to time.

SECTION 6.9. President. The President shall be the chief operating officer of the Corporation and, subject to the control of the Chief Executive Officer and the Board of Directors, shall in general manage, supervise and control the properties, business and day-to-day affairs of the Corporation with all such powers as may be reasonably incident to such responsibilities. In the absence of the Chief Executive Officer, or in the event of his inability or refusal to act, the President shall perform the duties and exercise the powers of the Chief Executive Officer. Subject to any contractual limitations contained in any employment agreement or other applicable contract, he shall have the power to appoint and remove subordinate officers, agents and employees, after consultation with the Chief Executive Officer; provided, however, that he shall not have the power to remove the General Counsel, Chief Financial Officer, Chief Accounting Officer or Vice President of Internal Audit without the approval of the Board of Directors. Unless the Board of Directors otherwise determines, the President shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation, in accordance with the internal policies and procedures of the Corporation in effect from time to time, including, if applicable, any limitations on dollar amounts of such obligations. The President shall keep the Board of Directors, the Executive Committee (if any), and the Chief Executive Officer fully informed and shall consult them concerning the business of the Corporation. He shall vote, or give a proxy to any other officer of the Corporation to vote, all shares of stock of any other corporation standing in the name of the Corporation and shall exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation; provided that the Board of Directors may from time to time, by resolution, confer like powers upon any other person or persons. In general the President shall have all powers and shall perform all other duties normally incident to the office of president, and shall have such other powers and perform such other duties as may be prescribed by these by-laws, the Board of Directors, or the Executive Committee (if any) from time to time.

SECTION 6.10. Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Corporation and shall be responsible, either directly or indirectly, for development and administration of the Corporation's financial plans and all financial arrangements, its cash deposits and short term investments, its accounting policies and its federal and state tax returns. The Chief Financial Officer shall also be responsible for the Corporation's internal control procedures and for its relationship with the financial community. The Chief Financial Officer shall perform all the duties incident to the office of chief financial officer of a corporation, those duties assigned to him by other provisions of these by-laws and such other duties as may be assigned to him either directly or indirectly by the Board of Directors, the Audit Committee, the Executive Committee (if any), the Chief Executive Officer, or the President, or as may be provided by law.

SECTION 6.11. Vice Presidents. The Board of Directors may appoint such Vice Presidents, including Executive or Senior Vice Presidents, as it may determine to be in the best interests of the Corporation. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates representing shares of the Corporation. Each Vice President shall perform all duties incident to the office of Vice President and shall have such powers and perform such other duties, as from time to time may be assigned to him by these by-laws or by the Chief Executive Officer, the President, the Board of Directors, or the Executive Committee (if any).

SECTION 6.12. General Counsel. The General Counsel shall be the chief legal advisor of the Corporation and shall have responsibility for the management of the legal affairs and litigation of the Corporation; and, in general, he shall perform the duties incident to the office of general counsel of a corporation and such other duties as may be assigned to him by these by-laws or by the Chief Executive Officer, the President, the Board of Directors, or the Executive Committee (if any).

SECTION 6.13. Secretary. The Secretary shall (a) keep the minutes of the meetings of the stockholders, the Board of Directors, and committees of directors; (b) see that all notices are duly given in accordance with the provisions of these by-laws and as required by law; (c) be custodian of the corporate records and of the seal of the Corporation, and see that the seal of the Corporation or a facsimile thereof is affixed to all certificates representing shares prior to the issue thereof and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these by-laws and attest the affixation of the seal of the Corporation thereto; (d) keep or cause to be kept a register of the post office address of each stockholder which shall be furnished by such stockholder; (e) sign with the Chairman of the Board, the President, or any Vice President, certificates representing shares of the Corporation, the issue of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the Corporation; and (g) in general, shall have such other powers and shall perform all duties normally incident to the office of Secretary, and shall have such other powers and perform such other duties, as from time to time may be assigned to him by these by-laws, the Chief Executive Officer, the President, the Board of Directors, or the Executive Committee (if any).

SECTION 6.14. Chief Accounting Officer. The Chief Accounting Officer shall be the controller and principal accounting officer of the Corporation. He shall keep full and accurate accounts of the assets, liabilities, commitments, receipts, disbursements and other financial transactions of the Corporation; shall cause regular audits of the books and records of account of the Corporation and shall supervise the preparation of the Corporation's financial statements; and, in general, he shall perform the duties incident to the office of controller of a corporation and such other duties as may be assigned to him directly or indirectly by the Board of Directors, the Audit Committee, the Executive Committee (if any), the Chief Executive Officer, the President, or the Chief Financial Officer, or as may be provided by law.

SECTION 6.15. Treasurer. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit, or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by or under authority of the Board of Directors; if required by the Board of Directors, he shall give a bond for the faithful discharge of his duties, with such surety or sureties as the Board of Directors may determine; he shall keep or cause to be kept full and accurate records of all receipts and disbursements in books of the Corporation; and, in general, he shall perform the duties incident to the office of treasurer of a corporation and such other duties as may be assigned to him directly or indirectly by the Board of Directors, the Chief Executive Officer, the President, or the Chief Financial Officer, or as may be provided by law.

SECTION 6.16. Assistant Secretary, Assistant Treasurer or Assistant Controller. The Assistant Secretaries, Assistant Treasurers and Assistant Controllers shall, in general, perform such duties and have such powers as shall be assigned to them by the Secretary, the Treasurer or the Controller, respectively, or by the Chief Executive Officer, the President, the Board of Directors or the Executive Committee (if any). The Assistant Secretaries, Assistant Treasurers and Assistant Controllers shall, in the absence or inability or refusal to act of the Secretary, Treasurer or Controller, respectively, perform all functions and duties which such absent officers may delegate, but such delegation shall not relieve the absent officer from the responsibilities and liabilities of his office. The Assistant Secretaries may sign, with the Chairman of the Board, the President or a Vice President, certificates representing shares of the Corporation, the issue of which shall have been authorized by a resolution of the Board of Directors. The Assistant Controllers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

ARTICLE VII

CONTRACTS, CHECKS AND DEPOSITS

SECTION 7.1. Contracts. Except as otherwise provided in these by-laws or by law or as otherwise directed by the Board of Directors, the Chief Executive Officer, the President, any Vice President, or the Secretary shall be authorized to execute and deliver, in the name and on behalf of the Corporation, all agreements, bonds, contracts, deeds, mortgages, and other instruments, either for the Corporation's own account or in a fiduciary or other capacity, and the seal of the Corporation, if appropriate, shall be affixed thereto by any such officer or the Secretary or an Assistant Secretary. The Board of Directors, the Chief Executive Officer, or the President or, if designated by the Board of Directors, the Chief Executive Officer, or the President, any Vice President or the Secretary, may authorize any other officer, employee, or agent to execute and deliver, in the name and on behalf of the Corporation, agreements, bonds, contracts, deeds, mortgages, and other instruments, either for the Corporation's own account or in a fiduciary or other capacity, and, if appropriate, to affix the seal of the Corporation thereto. The grant of such authority by the Board of Directors or any such officer may be general or confined to specific conditions. Subject to the foregoing provisions, the Board of Directors may authorize any officer, officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 7.2. Checks, Etc. All checks, demands, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed and, if so required by the Board of Directors, shall be countersigned by such officer or officers or such agent or agents of the Corporation, and in such manner, as shall be determined by the Board of Directors.

SECTION 7.3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select. Checks, drafts, bills of exchange, acceptances, notes, obligations, and orders for payment of money made payable to the Corporation may be endorsed for deposit to the credit of the Corporation with a duly authorized depository by the Treasurer and/or such other officers or persons as the Board of Directors from time to time may designate.

SECTION 7.4. Loans. No loans and no renewals of any loans shall be contracted on behalf of the Corporation except as authorized by the Board of Directors. When authorized so to do, any officer or agent of the Corporation may effect loans and advances for the Corporation from any bank, trust company, or other institution or from any individual, corporation, or firm, and for such loans and advances may make, execute, and deliver promissory notes, bonds, or other evidences of indebtedness of the Corporation. When authorized so to do, any officer or agent of the Corporation may pledge, hypothecate, or transfer as security for the payment of any and all loans, advances, indebtedness, and liabilities of the Corporation, any and all stocks, securities, and other real or personal property at any time held by the Corporation and to that end may endorse, assign, and deliver same. Such authority may be general or confined to specific instances.

ARTICLE VIII

CERTIFICATES OF STOCK

SECTION 8.1. Issuance. The shares of the Corporation shall be represented by certificates or shall be uncertificated shares evidenced by a book-entry system maintained by the registrar of such stock, or a combination of both. Every holder of stock represented by certificates shall be entitled to a certificate signed by, or in the name of the Corporation by, the chairman or vice-chairman of the Board of Directors, or the President or Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary and an Assistant Secretary of the Corporation representing the number of shares registered in certificate form. To the extent that shares are represented by certificates, the certificates shall be in such form as may be determined by the Board of Directors, shall be issued in numerical order and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares (and if the stock of the Corporation shall be divided into classes or series, the class or series of such shares) and shall be signed by the officers identified in this Section 8.1. Any of or all of the signatures on the certificate may be facsimiles. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of the transfer agent or transfer agents of the Corporation as the Board of Directors may from time to time by resolution determine. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate, if any, which the Corporation shall issue to represent such class of stock; provided that, except as otherwise provided by statute, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate, if any, which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this Section 8.1 or otherwise required by statute or with respect to this Section 8.1 a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in the case of a lost, stolen, destroyed or mutilated certificate a new one may be issued therefore as provided for in these by-laws. Certificates shall not be issued representing fractional shares of stock.

SECTION 8.2. Lost, Stolen or Destroyed; Issuance of New Certificates. The Board of Directors may direct a new certificate of stock or uncertificated shares to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as it shall require or to give the Corporation a bond in such sum as it may deem sufficient to indemnify it against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares, or both.

SECTION 8.3. Transfers. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate or uncertificated shares to the person entitled thereto, cancel the old certificate and register the transaction upon its books. Upon presentation to the Corporation or the transfer agent of the Corporation of an instruction with a request to transfer, pledge or release an uncertificated share or shares, it shall be the duty of the Corporation to register the transfer, pledge or release upon its books, and shall provide the registered owner with such notices as may be required by law. Transfers of shares shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney and filed with the Secretary of the Corporation or the transfer agent.

SECTION 8.4. Registered Stockholders. The Corporation shall be entitled to treat the registered owner of any share or shares of stock whether certificated or uncertificated as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

SECTION 8.5. Regulations Regarding Certificates. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates representing shares of capital stock of the Corporation.

ARTICLE IX

DIVIDENDS

SECTION 9.1. Declaration. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to and in accordance with applicable law. Dividends may be paid in the form of cash, in property or in shares of capital stock, subject to the provisions of the Certificate of Incorporation.

SECTION 9.2. Reserve. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, shall think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board of Directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

INDEMNIFICATION

SECTION 10.1. Third Party Actions. This Corporation shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify and upon request shall advance expenses to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or claim, whether civil, criminal, administrative or investigative (other than an action by or in the name of the Corporation) by reason of the fact that such person is or was or has agreed to be a director or officer of this Corporation or any of its direct or indirect subsidiaries or while such director or officer is or was serving at the request of this Corporation as a director, officer, partner, trustee, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all liability, loss suffered and expenses (including attorney's fees and expenses), judgments, fines, penalties and amounts paid in settlement reasonably incurred in connection with the investigation, preparation to defend or defense of such action, suit, proceeding or claim; provided, however, that the foregoing shall not require this Corporation to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim (or part thereof) initiated by or on behalf of such person unless the initiation of such action, suit, proceeding, claim or counterclaim (or part thereof) by such person was authorized in the specific case by the Board of Directors. Such indemnification shall not be exclusive of other indemnification rights arising under any provision of the Certificate of Incorporation, by-laws, agreement, vote of directors or stockholders or otherwise and shall inure to the benefit of the heirs and legal representatives of such person. Any person seeking indemnification under this Section 10.1 shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established.

SECTION 10.2. Actions By or in the Right of the Corporation. This Corporation shall, to the maximum extent permitted from time to time under the law of the State of Delaware, indemnify and upon request shall advance expenses to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or claim by or on the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was or has agreed to be a director or officer of this Corporation or any of its direct or indirect subsidiaries or while such director or officer is or was serving at the request of this Corporation as a director, officer, partner, trustee, employee or agent of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against all expenses (including attorney's fees and expenses) reasonably incurred in connection with the investigation, preparation to defend or defense of such action, suit, proceeding or claim; provided, however, that the foregoing shall not require this Corporation to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person. Such indemnification shall not be exclusive of other indemnification rights arising under any provision of the Certificate of Incorporation, by-laws, agreement, vote of directors or stockholders or otherwise and shall inure to the benefit of the heirs and legal representatives of such person. Any person seeking indemnification under this Section 10.2 shall be deemed to have met the standard of conduct required for such indemnification unless the contrary shall be established.

SECTION 10.3. Successful Defense. To the extent that a director or officer, of the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 10.1 or 10.2 or in defense of any claim, issue, or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonable incurred by him in connection therewith.

SECTION 10.4. Claims. If a claim for indemnification (following the final disposition of such action, suit or proceeding) or advancement of expenses is not paid in full within 30 days after a properly submitted written claim therefor by an indemnitee entitled thereto has been received by the Corporation, such indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that such indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.

SECTION 10.5. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article X of these by-laws.

SECTION 10.6. Definitions. For purposes of this Article X, reference to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence has continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article X with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

For purposes of this Article X, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service by a person who is a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants, or beneficiaries.

SECTION 10.7. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the Corporation and each director or officer who serves in any such capacity at any time while these provisions as well as relevant provisions of the General Corporation Law of the State of Delaware are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such director or officer. The indemnification provided by this Article X shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

SECTION 10.8. Amendment or Repeal. Any repeal or modification of the provisions of this Article X shall not adversely affect any right or protection hereunder of any person entitled to indemnification hereunder in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to any act or omission occurring prior to the time of such repeal or modification.

SECTION 10.9. Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any person entitled to indemnification hereunder who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person entitled to indemnification hereunder may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

SECTION 10.10. Other Indemnification and Advancement of Expenses. This Article X shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than persons entitled to indemnification hereunder when and as authorized by appropriate corporate action.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1. Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

SECTION 11.2. Books. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors.

SECTION 11.3. Fiscal Year. The fiscal year of the Corporation shall be such as established from time to time by the Board of Directors.

SECTION 11.4. Resignations. Any director, member of a committee, or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by (i) the Chairman of the Board or Secretary if the resignation is from a director or committee member, or (ii) the Chief Executive Officer or Secretary if the resignation is from an officer. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

SECTION 11.5. Facsimile Signatures. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these by-laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

SECTION 11.6. Reliance upon Books, Reports and Records. Each director and each member of any committee designated by the Board of Directors shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or reports made to the Corporation by any of its officers, or by an independent certified public accountant, or by an appraiser selected with reasonable care by the Board of Directors or by any such committee, or in relying in good faith upon other records of the Corporation.

ARTICLE XII

AMENDMENT

If provided in the Certificate of Incorporation of the Corporation, the Board of Directors shall have the power to adopt, amend and repeal from time to time the by-laws of the Corporation, subject to the right of the stockholders entitled to vote with respect thereto to amend or repeal such by-laws as adopted or amended by the Board of Directors.

Exhibit 4.6

Schedule of Officers Certificates
deli ered pursuant to Section 301 of the Indenture dated September 10, 1997
by and between Waste Management, Inc. and The Ban of New Yor Mellon Trust Company, N.A., as
Trustee, establishing the terms and form of Waste Management, Inc. s Senior Notes

Principal Amount Issued		Interest Rate (per annum)	Issue Date	Maturity Date	CUSIP	Interest Payment Dates
$	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
$	400 million	6.375%	11/21/2002	11/15/2012	94106LAP4	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

* 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, 2011 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 12.1

WASTE MANAGEMENT, INC.

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

	Years Ended December 31,				
	2011	2010	2009	200	2007
Income before income taxes and losses in equity investments(a)	$ 1,557	$ 1,656	$ 1,475	$ 1,801	$ 1,792
Fixed charges deducted from income:					
Interest expense	481	473	426	455	521
Implicit interest in rents	45	40	38	38	44
	526	513	464	493	565
Earnings available for fixed charges(b)	$ 2,083	$ 2,169	$ 1,939	$ 2,294	$ 2,357
Interest expense	$ 481	$ 473	$ 426	$ 455	$ 521
Capitalized interest	22	17	17	17	22
Implicit interest in rents	45	40	38	38	44
Total fixed charges(b)	$ 548	$ 530	$ 481	$ 510	$ 587
Ratio of earnings to fixed charges(a)	3.8x	4.1x	4.0x	4.5x	4.0x

(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.

Name of Entity	*Jurisdiction of Incorporation/Formation*
0842463 B.C. Ltd.	British Columbia
1-800-Pack-Rat, LLC	Delaware
1329409 Ontario Inc.	Ontario
2M Investments, L.L.C.	Utah
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
Bluebird Recycling, Inc.	Idaho
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
City Environmental, Inc.	Delaware
Cleburne Landfill Company Corp.	Alabama
Coast Waste Management, Inc.	California
Connecticut Valley Sanitary Waste Disposal, Inc.	Massachusetts
Conservation Services, Inc.	Colorado
Continental Waste Industries Arizona, Inc.	New Jersey
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
Downtown Diversion Inc.	California
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
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
Key Disposal Ltd.	British Columbia
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 High Medical Disposal Services, Inc.	Utah
Mountain Indemnity Insurance Company	Vermont
Mountainview Landfill, Inc. (MD)	Maryland
Mountainview Landfill, Inc. (UT)	Utah
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
Spokane Recycling Products, Inc.	Washington
Spruce Ridge, Inc.	Minnesota
Stony Hollow Landfill, Inc.	Delaware
Suburban Landfill, Inc.	Delaware
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 Trashmasters Waste and Recycling Services, Inc.	Oregon
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 Pennsylvania, LLC	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	Ontario
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 Paper Services, Inc.	Washington
Waste Resources of Tennessee, Inc.	Tennessee
Waste to Energy Holdings, Inc.	Delaware
Wasteless Environmental Services Inc.	Canada
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
WM Arizona Operations, L.L.C.	Delaware
WM Asphalt Products, LLC	Delaware
WM Bagco, 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 International Services (UK) Limited	England
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, 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, 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 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 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, 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	United Kingdom
WTI UK Ltd	United Kingdom
WTI/EFW Holdings Ltd	United Kingdom
WTI/Willows Construction Ltd	United Kingdom

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. 333-159475) 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. 333-153363) 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. 333-162059) 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 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 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 issuance of shares of common stock pursuant to the 1993 Stock Incentive Plan

of our reports dated February 16, 2012, 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) for the year ended December 31, 2011.

ERNST & YOUNG LLP

Houston, Texas
February 16, 2012

Exhibit 31.1

**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, David P. Steiner, 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/ DAVID P. STEINER

David P. Steiner
President and Chief Executive Officer

Date: February 16, 2012

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, Steven C. Preston, 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/ STEVEN C. PRESTON

Steven C. Preston
Executive Vice President —
Finance, Recycling & Energy Services

Date: February 16, 2012

Exhibit 32.1

CERTIFICATION PURSUANT TO
1 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, 2011 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 16, 2012

Exhibit 32.2

CERTIFICATION PURSUANT TO
1 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, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven C. Preston, principal 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/ STEVEN C. PRESTON

Steven C. Preston
Executive Vice President —
Finance, Recycling & Energy Services

February 16, 2012

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, 2011, 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(a) 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; or (e) an imminent danger order under section 107(a) of the Mine Safety Act. Waste Management of Hawaii, Inc. was assessed a penalty of $100 by the MSHA in connection with the requirement to file quarterly reports with the MSHA for the mine located at our West Hawaii Landfill.

In addition, during the year ended December 31, 2011, 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.

WASTE MANAGEMENT INC (WM)

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 10/31/2012
Filed Period 09/30/2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-12154

Waste Management, Inc.

(Exact name of registrant as specified in its charter)

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

1001 Fannin
Suite 4000
Houston, Texas 77002
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ 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 Regulation S-T 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 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.

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 number of shares of Common Stock, $0.01 par value, of the registrant outstanding at October 23, 2012 was 463,899,149 (excluding treasury shares of 166,383,312).

PART I.

Item 1. ***Fi Statements.***
nancial

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED ALANCE SHEETS
(In Millions, Except Share and Par alue Amounts)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 398	$ 258
Accounts receivable, net of allowance for doubtful accounts of $37 and $29, respectively	1,760	1,631
Other receivables	108	144
Parts and supplies	155	153
Deferred income taxes	79	78
Other assets	159	115
Total current assets	2,659	2,379
Property and equipment, net of accumulated depreciation and amortization of $16,005 and $15,308, respectively	12,518	12,242
Goodwill	6,259	6,215
Other intangible assets, net	405	457
Investments in unconsolidated entities	652	637
Other assets	580	639
Total assets	$ 23,073	$ 22,569
LIA ILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 787	$ 838
Accrued liabilities	1,115	1,129
Deferred revenues	459	470
Current portion of long-term debt	826	631
Total current liabilities	3,187	3,068
Long-term debt, less current portion	9,166	9,125
Deferred income taxes	1,896	1,884
Landfill and environmental remediation liabilities	1,453	1,404
Other liabilities	759	698
Total liabilities	16,461	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	4,546	4,561
Retained earnings	6,820	6,721
Accumulated other comprehensive income	200	172
Treasury stock at cost, 166,415,015 and 169,749,709 shares, respectively	(5,284)	(5,390)
Total Waste Management, Inc. stockholders' equity	6,288	6,070
Noncontrolling interests	324	320
Total equity	6,612	6,390
Total liabilities and equity	$ 23,073	$ 22,569

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Operating revenues	$ 3,461	$ 3,522	$ 10,215	$ 9,972
Costs and expenses:				
Operating	2,229	2,261	6,655	6,396
Selling, general and administrative	335	380	1,116	1,144
Depreciation and amortization	331	317	971	935
Restructuring	44	15	51	15
(Income) expense from divestitures, asset impairments and unusual items	22	6	55	6
	2,961	2,979	8,848	8,496
Income from operations	500	543	1,367	1,476
Other income (expense):				
Interest expense	(123)	(118)	(366)	(358)
Interest income	2	1	4	6
Equity in net losses of unconsolidated entities	(17)	(7)	(35)	(20)
Other, net	(14)	2	(16)	4
	(152)	(122)	(413)	(368)
Income before income taxes	348	421	954	1,108
Provision for income taxes	125	136	329	377
Consolidated net income	223	285	625	731
Less: Net income attributable to noncontrolling interests	9	13	32	36
Net income attributable to Waste Management, Inc.	$ 214	$ 272	$ 593	$ 695
Basic earnings per common share	$ 0.46	$ 0.58	$ 1.28	$ 1.47
Diluted earnings per common share	$ 0.46	$ 0.58	$ 1.28	$ 1.46
Cash dividends declared per common share	$ 0.355	$ 0.34	$ 1.065	$ 1.02

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSI E INCOME

(In Millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Consolidated net income	$223	$ 285	$625	$731
Other comprehensive income (loss), net of taxes:				
Unrealized gains (losses) on derivative instruments:				
Unrealized losses, resulting from changes in fair value, net of tax benefit of $(8), $(8), $(16) and $(16), respectively	(13)	(12)	(25)	(25)
Reclassification adjustment for (gains) losses included in net income, net of tax (expense) benefit of $6, $(12), $6 and $(6), respectively	10	(18)	10	(9)
	(3)	(30)	(15)	(34)
Unrealized gains (losses) on available-for-sale securities, net of tax expense (benefit) of $0, $(2), $1 and $(3), respectively	1	(3)	2	(4)
Foreign currency translation adjustments	39	(82)	41	(46)
Change in funded status of post-retirement benefit obligation, net of tax benefit of $0, $0, $0 and $(1), respectively	—	—	—	(2)
Other comprehensive income (loss), net of taxes	37	(115)	28	(86)
Comprehensive income	260	170	653	645
Less: Comprehensive income attributable to noncontrolling interests	9	13	32	36
Comprehensive income attributable to Waste Management, Inc.	$251	$ 157	$621	$609

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

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

	Nine Months Ended September 30,	
	2012	**2011**
Cash flows from operating activities:		
Consolidated net income	$ 625	$ 731
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	971	935
Deferred income tax provision	12	48
Interest accretion on landfill liabilities	62	62
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	2	21
Provision for bad debts	39	29
Equity-based compensation expense	21	38
Excess tax benefits associated with equity-based transactions	(10)	(7)
Net gain on disposal of assets	(11)	(13)
Effect of (income) expense from divestitures, asset impairments and unusual items and other	69	6
Equity in net losses of unconsolidated entities	35	20
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	(112)	(146)
Other current assets	(45)	(25)
Other assets	102	35
Accounts payable and accrued liabilities	7	96
Deferred revenues and other liabilities	(49)	(93)
Net cash provided by operating activities	1,718	1,737
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(178)	(645)
Capital expenditures	(1,132)	(909)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	28	22
Net receipts from restricted trust and escrow accounts	15	74
Investments in unconsolidated entities	(61)	(92)
Other	(33)	15
Net cash used in investing activities	(1,361)	(1,535)
Cash flows from financing activities:		
New borrowings	685	1,001
Debt repayments	(473)	(425)
Common stock repurchases	—	(528)
Cash dividends	(493)	(481)
Exercise of common stock options	39	40
Excess tax benefits associated with equity-based transactions	10	7
Distributions paid to noncontrolling interests	(31)	(30)
Other	44	(43)
Net cash used in financing activities	(219)	(459)
Effect of exchange rate changes on cash and cash equivalents	2	—
Increase (decrease) in cash and cash equivalents	140	(257)
Cash and cash equivalents at beginning of period	258	539
Cash and cash equivalents at end of period	$ 398	$ 282

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In Millions, Except Shares in Thousands)
(Unaudited)

		Waste Management, Inc. Stoc holders E uity							
		Common Stoc					Treasury Stoc		
	Total	Shares	Amounts	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensi e Income	Shares	Amounts	Noncontrolling Interests
Balance, December 31, 2011	$6,390	630,282	$ 6	$ 4,561	$ 6,721	$ 172	(169,750)	$ (5,390)	$ 320
Consolidated net income	625	—	—	—	593	—	—	—	32
Other comprehensive income, net of taxes	28	—	—	—	—	28	—	—	—
Cash dividends declared	(493)	—	—	—	(493)	—	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	86	—	—	(19)	(1)	—	3,329	106	—
Distributions paid to noncontrolling interests	(31)	—	—	—	—	—	—	—	(31)
Other	7	—	—	4	—	—	6	—	3
Balance, September 30, 2012	$6,612	630,282	$ 6	$ 4,546	$ 6,820	$ 200	(166,415)	$ (5,284)	$ 324

See notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. asis of Presentation

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 13. 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.

Through the third quarter of 2012, we managed and evaluated our operations primarily through our Eastern, Midwest, Southern, Western and Wheelabrator operating Groups. Our four geographic operating Groups provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services for residential, commercial, industrial and municipal customers throughout North America. Our Wheelabrator Group 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 five Groups, including the operations of Oakleaf Global Holdings acquired 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 8 and in Note 9, respectively.

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 are in the process of implementing the reorganization and we expect it to be completed by the end of 2012. Once the reorganization has been completed, our reportable segments will be realigned to conform with our new management structure. See Note 10 for additional information related to this reorganization.

The Condensed Consolidated Financial Statements as of September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011 are unaudited. In the opinion of management, these financial statements include all adjustments, which, unless otherwise disclosed, are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

In the second quarter of 2012, we believed that the fair value of our Wheelabrator Group 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 our Wheelabrator Group's goodwill balance, which was $788 million as of June 30, 2012.

We performed an interim quantitative assessment using both an income and a market approach, which indicated that the estimated fair value of our Wheelabrator Group exceeded its carrying value; however, the amount by which the fair value exceeded the carrying value declined significantly from the most recent annual impairment test performed at October 1, 2011. At that time, our Wheelabrator Group's estimated fair value exceeded its carrying value by approximately 30%, as compared with slightly greater than 10% as of the interim impairment test performed in the second quarter of 2012. If market prices for electricity worsen or do not recover as we have projected, if our disposal rates continue to decline, or if our costs and capital expenditures exceed our forecasts, the estimated fair value of our Wheelabrator Group could decrease further and potentially result in an impairment charge in a future period. We continue to monitor our Wheelabrator Group for possible impairment of their goodwill balance.

Adoption of New Accounting Pronouncements

Fair Value Measurement — In May 2011, the Financial Accounting Standards Board ("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. 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.

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.

2. Landfill and En ironmental Remediation Liabilities

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

	September 30, 2012			December 31, 2011		
	Landfill	En ironmental Remediation	Total	Landfill	En ironmental Remediation	Total
Current (in accrued liabilities)	$ 118	$ 36	$ 154	$ 123	$ 38	$ 161
Long-term	1,225	228	1,453	1,169	235	1,404
	$ 1,343	$ 264	$ 1,607	$ 1,292	$ 273	$ 1,565

The changes to landfill and environmental remediation liabilities for the year ended December 31, 2011 and the nine months ended September 30, 2012 are reflected in the table below (in millions):

	Landfill	En ironmental Remediation
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	(30)	23
Acquisitions, divestitures and other adjustments	3	(3)
December 31, 2011	1,292	273
Obligations incurred and capitalized	43	—
Obligations settled	(58)	(19)
Interest accretion	62	3
Revisions in cost estimates and interest rate assumptions	4	7
Acquisitions, divestitures and other adjustments	—	—
September 30, 2012	$ 1,343	$ 264

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 13 for additional information related to these trusts.

3. 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 September 30, 2012:

	September 30, 2012	December 31, 2011
Revolving credit facility (weighted average interest rate of 1.5% at December 31, 2011)	$ —	$ 150
Letter of credit facilities	—	—
Canadian credit facility (weighted average effective interest rate of 2.0% at September 30, 2012 and 1.8% at December 31, 2011)	117	137
Senior notes and debentures, maturing through 2039, interest rates ranging from 2.6% to 7.75% (weighted average interest rate of 5.8% at September 30, 2012 and 6.0% at December 31, 2011)	6,711	6,228
Tax-exempt bonds maturing through 2041, fixed and variable interest rates ranging from 0.2% to 7.4% (weighted average interest rate of 2.9% at September 30, 2012 and 3.1% at December 31, 2011)	2,680	2,771
Tax-exempt project bonds, maturing through 2029, fixed and variable interest rates ranging from 0.2% to 3.4% (weighted average interest rate of 1.4% at September 30, 2012 and 1.3% at December 31, 2011)	86	86
Capital leases and other, maturing through 2055, interest rates up to 12%	398	384
	9,992	9,756
Current portion of long-term debt	826	631
	$ 9,166	$ 9,125

Debt Classification

As of September 30, 2012, we had $708 million of debt maturing within the next twelve months, including U.S. $117 million of advances outstanding under our Canadian credit facility, $400 million of 6.375% senior notes that mature in November 2012 and $141 million of tax-exempt bonds. We also had $663 million of tax-exempt borrowings subject to repricing within the next twelve months. We have classified $545 million of these tax-exempt borrowings as long-term based on our intent and ability to fund any failed remarketings with available capacity under our revolving credit facility.

Revolving Credit and Letter of Credit Facilities

As of September 30, 2012, we had an aggregate committed capacity of $2.5 billion for letters of credit under various credit facilities. Our $2.0 billion revolving credit facility expires in May 2016 and is our primary source of letter of credit capacity. Our remaining letter of credit capacity is provided under facilities with terms that extend from June 2013 to June 2015. As of September 30, 2012, we had an aggregate of $1.5 billion of letters of credit outstanding under various credit facilities. Approximately $1.0 billion of these letters of credit have been issued under our revolving credit facility.

Debt Borrowings and Repayments

Revolving credit facility — During the nine months ended September 30, 2012, we have had net repayments under our revolving credit facility of $150 million.

Canadian credit facility — We repaid $27 million of net advances under our Canadian credit facility during the nine months ended September 30, 2012.

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 intend to use a portion of these proceeds to repay $400 million of 6.375% senior notes that mature in November 2012. All remaining proceeds will be used for general corporate purposes. Pending repayment of the senior notes due November 2012, we used a portion of the proceeds to repay borrowings outstanding under our revolving credit facility.

Tax-exempt bonds — During the nine months ended September 30, 2012, we repaid $91 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.

4. Deri ati e Instruments and Hedging Acti ities

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

Deri ati es Designated as Hedging Instruments	alance Sheet Location	September 30, 2012	December 31, 2011
Electricity commodity contracts	Current other assets	$ 1	$ 5
Interest rate contracts	Long-term other assets	—	73
Total derivative assets		$ 1	$ 78
Interest rate contracts	Current accrued liabilities	$ —	$ 42
Electricity commodity contracts	Current accrued liabilities	4	—
Foreign exchange contracts	Long-term accrued liabilities	16	2
Interest rate contracts	Long-term accrued liabilities	42	32
Total derivative liabilities		$ 62	$ 76

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 12.

Interest Rate Derivatives

Interest Rate Swaps

We have used interest rate swaps to maintain a portion of our debt obligations at variable market interest rates. As of September 30, 2012 and December 31, 2011, we had approximately $6.6 billion and $6.1 billion in fixed-rate senior notes outstanding, respectively. 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 senior notes that are scheduled to mature from November 2012 to March 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 Condensed 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 $85 million as of September 30, 2012 and $102 million as of December 31, 2011. 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):

Three Months Ended September 30,	Statement of Operations Classification	Gain (Loss) on Swap	Gain (Loss) on Fixed-Rate Debt
2012	Interest expense	$ —	$ —
2011	Interest expense	$ 25	$ (25)

Nine Months Ended September 30,	Statement of Operations Classification	Gain (Loss) on Swap	Gain (Loss) on Fixed-Rate Debt
2012	Interest expense	$ (1)	$ 1
2011	Interest expense	$ 37	$ (37)

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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Decrease to Interest Expense Due to Hedge Accounting for Interest Rate Swaps	2012	2011	2012	2011
Periodic settlements of active swap agreements(a)(b)	$ —	$ 7	$ 7	$ 18
Terminated swap agreements(b)	7	2	16	8
	$ 7	$ 9	$ 23	$ 26

(a) These amounts represent the net of our periodic variable-rate interest obligations and the swap counterparties' fixed-rate interest obligations. Our variable-rate obligations were based on a spread from the three-month LIBOR.

(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.

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.

The active forward-starting interest rate swaps outstanding as of September 30, 2012 relate to an anticipated debt issuance in March 2014. As of September 30, 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.

We recognized pre-tax and after-tax losses of $3 million and $2 million, respectively, to other comprehensive income for changes in the fair value of our forward-starting interest rate swaps during the three months ended September 30, 2012 and pre-tax and after-tax losses of $28 million and $17 million, respectively, during the nine months ended September 30, 2012. We recognized pre-tax and after-tax losses of $46 million and $28 million, respectively, to other comprehensive income for changes in the fair value of our forward-starting interest rate swaps during the three months ended September 30, 2011 and $53 million and $33 million, respectively, during the nine months ended September 30, 2011. Pre-tax and after-tax losses of $2 million and $1 million, respectively, for the three and nine months ended September 30, 2012 were reclassified out of accumulated other comprehensive income and into interest expense. The losses reclassified to interest expense were immaterial for the three and nine months ended September 30, 2011. As of September 30, 2012, $7 million (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months. There was no significant ineffectiveness associated with these hedges during the three and nine months ended September 30, 2012 or 2011.

Treasury Rate Locks

In prior years, we used Treasury rate locks to secure underlying interest rates in anticipation of senior note issuances. The deferred losses, net of taxes, associated with these cash flow hedges were $8 million at September 30, 2012 and $12 million at December 31, 2011, which are included in "Accumulated other comprehensive income." These deferred losses are reclassified as an increase to interest expense over the life of the related senior note issuances, which extend through 2032. Pre-tax and after-tax losses of $2 million for the three-month period ended September 30, 2012 and pre-tax and after-tax losses of $6 million and $4 million, respectively, for the nine-month period ended September 30, 2012, were reclassified out of accumulated other comprehensive income and into interest expense. Pre-tax and after-tax losses of $2 million and $1 million, respectively, for the three-month period ended September 30, 2011, and pre-tax and after-tax losses of $6 million and $3 million, respectively, for the nine-month period ended September 30, 2011, were reclassified out of accumulated other comprehensive income and into interest expense. As of September 30, 2012, $2 million (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next twelve months.

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 September 30, 2012, we did not have any interest rate derivatives outstanding that contained these credit-risk related provisions.

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 Waste Management Holdings, Inc., a wholly-owned subsidiary ("WM Holdings"), and its Canadian subsidiaries. As of September 30, 2012, we had foreign currency forward contracts outstanding for all of the anticipated cash flows associated with a debt arrangement between these wholly-owned subsidiaries. The hedged cash flows as of September 30, 2012 include C$370 million of principal, which is scheduled for payment on October 31, 2013, and scheduled interest payments of C$11 million on November 30, 2012 and C$10 million on October 31, 2013. We designated the 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. The gains or losses on our foreign currency forward contracts that are reclassified out of accumulated other comprehensive income are recognized as adjustments to other income and expense, which is the same financial statement line item where offsetting gains or losses on the related hedged items are recorded. The following table summarizes the pre-tax impacts of our foreign currency cash flow derivatives on our comprehensive income and results of operations (in millions):

Three Months Ended September 30,	Deri ati e Gain or (Loss) Recogni ed in OCI (Effecti e Portion)	Statement of Operations Classification	Deri ati e Gain or (Loss) Reclassified from AOCI into Income (Effecti e Portion)
2012	$ (15)	Other income (expense)	$ (14)
2011	$ 25	Other income (expense)	$ 33

Nine Months Ended September 30,	Deri ati e Gain or (Loss) Recogni ed in OCI (Effecti e Portion)	Statement of Operations Classification	Deri ati e Gain or (Loss) Reclassified from AOCI into Income (Effecti e Portion)
2012	$ (14)	Other income (expense)	$ (17)
2011	$ 11	Other income (expense)	$ 21

Amounts reported in other comprehensive income and accumulated other comprehensive income are reported net of tax. Adjustments to other comprehensive income for changes in the fair value of our foreign currency cash flow hedges resulted in the recognition of after-tax losses of $9 million and $8 million during the three and nine months ended September 30, 2012, respectively, and after-tax gains of $15 million and $7 million during the three and nine months ended September 30, 2011, respectively. After-tax adjustments for the reclassification of losses from accumulated other comprehensive income into income were $8 million and $10 million during the three and nine months ended September 30, 2012, respectively. After-tax adjustments for the reclassification of gains from accumulated other comprehensive income into income were $20 million and $13 million during the three and nine months ended September 30, 2011, respectively. Ineffectiveness has been included in other income and expense during each of the reported periods. There was no significant ineffectiveness associated with these hedges during the three and nine months ended September 30, 2012 or 2011.

Electricity Commodity Derivatives

We use short-term "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 1.55 million megawatt hours, or approximately 50%, of our Wheelabrator Group's full year 2011 merchant electricity sales, and the swaps executed through September 30, 2012 are expected to hedge about 628,800 megawatt hours, or 20%, of the Wheelabrator Group's full year 2012 merchant electricity sales. For the three-month periods ended September 30, 2012 and 2011, we hedged 16% and 46%, respectively, of our merchant electricity sales. For the nine-month periods ended September 30, 2012 and 2011, we hedged 21% and 49%, respectively, of our merchant electricity sales.

We recognized pre-tax and after-tax losses of $3 million and $2 million, respectively, in other comprehensive income for changes in the fair value of our electricity commodity derivatives during the three months ended September 30, 2012 and pre-tax and after-tax gains of $1 million and less than $1 million, respectively, for the nine months ended September 30, 2012. We recognized pre-tax and after-tax adjustments of $2 million and $1 million, respectively, for the reclassification of gains from accumulated other comprehensive income into income as a component of "Operating revenues" during the three months ended September 30, 2012 and $9 million and $5 million, respectively, for the nine months ended September 30, 2012. All financial statement impacts associated with these derivatives were immaterial for the three and nine months ended September 30, 2011. There was no significant ineffectiveness associated with these cash flow hedges during the three and nine months periods ended September 30, 2012 or 2011.

5. Income Taxes

Our effective income tax rate for the three and nine months ended September 30, 2012 was 36.1% and 34.5%, respectively, compared with 32.3% and 34.0% for the comparable prior year periods. We evaluate our effective income tax rate at each interim period and adjust it accordingly as facts and circumstances warrant. The differences between federal income taxes computed at the federal statutory rate and reported income taxes for the three and nine months ended September 30, 2012 were primarily due to the favorable impact of federal tax credits, audit settlements and the realization of additional acquired federal net operating losses. These favorable items were more than offset during the third quarter and almost entirely offset during the nine months by the unfavorable impacts of adjustments to our accruals and related deferred taxes due to the filing of our 2011 income tax returns, state and local income taxes, a Canadian provincial tax rate increase and the tax implications of impairments of unconsolidated investments. The differences between federal income taxes computed at the federal statutory rate and reported income taxes for the three and nine months ended September 30, 2011 were primarily due to the favorable impact of federal tax credits, audit settlements and adjustments to our accruals due to the filing of our 2010 income tax returns, offset in part by the unfavorable impact of state and local income taxes.

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 Condensed Consolidated Statement of Operations. During the three and nine months ended September 30, 2012 and 2011, we recognized less than $1 million and $2 million, respectively, of net losses resulting from our share of the entity's operating losses. Our tax provision for the three and nine months ended September 30, 2012 and 2011 was reduced, primarily as a result of tax credits realized from this investment, by $6 million and $14 million and by $4 million and $11 million, respectively. See Note 13 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 the value of our investment in "Equity in net losses of unconsolidated entities," within our Condensed Consolidated Statement of Operations. The value of our investment decreases as the tax credits are generated and utilized. During the three and nine months ended September 30, 2012, we recognized $6 million and $18 million of losses relating to our equity investment in this entity, $2 million and $5 million of interest expense, and a reduction in our tax provision of $11 million (including $8 million of tax credits) and $27 million (including $18 million of tax credits), respectively. During the three and nine months ended September 30, 2011, we recognized $5 million and $17 million of losses associated with our equity investment, $2 million and $6 million of interest expense, and a reduction in our tax provision of $9 million (including $7 million of tax credits) and $27 million (including $18 million of tax credits), respectively.

Recent Legislation — The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, signed into law on December 17, 2010, included an extension of the bonus depreciation allowance through the end of 2012 and increased the amount of qualifying capital expenditures that can be depreciated immediately from 50% to 100%. The 100% depreciation deduction applied to qualifying property placed in service from September 8, 2010 through December 31, 2011. The depreciation deduction for qualifying property placed in service in 2012 has been reduced to 50%. 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 2011 decreased our full year 2011 cash taxes by approximately $190 million and, based on our current forecast of 2012 capital expenditures, we estimate a reduction in our full year 2012 cash taxes of approximately $90 million related to qualifying property additions in 2012. However, taking accelerated deductions results in increased cash taxes in subsequent periods when the deductions for these capital expenditures would have otherwise been taken.

6. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Number of common shares outstanding at end of period	463.9	461.2	463.9	461.2
Effect of using weighted average common shares outstanding	0.2	7.1	(0.6)	11.5
Weighted average basic common shares outstanding	464.1	468.3	463.3	472.7
Dilutive effect of equity-based compensation awards and other contingently issuable shares	0.8	1.4	0.9	1.8
Weighted average diluted common shares outstanding	464.9	469.7	464.2	474.5
Potentially issuable shares	16.5	17.3	16.5	17.3
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	8.1	9.9	8.1	6.4

7. 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. 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.

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. We do not expect the impact of any known casualty, property, environmental or other contingency to have a material impact on our financial condition, results of operations or cash flows.

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

We also have guaranteed the obligations and certain performance requirements of, and provided indemnification to, third parties in the ordinary course of business for both consolidated and unconsolidated entities. Guarantee agreements outstanding as of September 30, 2012 include (i) guarantees of unconsolidated entities' financial obligations maturing through 2020 for maximum future payments of $10 million; and (ii) agreements guaranteeing certain market value losses for approximately 850 homeowners' properties adjacent to or near 20 of our landfills. Our indemnification obligations generally arise from divestitures and provide that we will be responsible for liabilities associated with our operations for events that occurred prior to the sale of the operations. 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, and 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.

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 and certain legal and consultant fees, as well as incremental internal and external costs directly associated with site investigation and clean-up.

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 $150 million higher than the $264 million recorded in the Condensed Consolidated Financial Statements as of September 30, 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.

As of September 30, 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 as a landfill disposal facility by one or more other parties. 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 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 of Pennsylvania, Inc., an indirect wholly-owned subsidiary of WM, for alleged violations of Pennsylvania solid waste regulations, including certain operations failures, at the Northwest Sanitary Landfill. PADEP has indicated that it is seeking penalties and corrective action.

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 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 submitted to the Court on October 17, 2012. We anticipate all the details with respect to the settlement will be resolved and finally approved by the Court within the next few months. We do not believe the settlement could 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 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, and the employment agreements between WM and its Chief Executive Officer, Chief Financial 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. 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. 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 recent final withdrawal 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 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 2011 and 2012 and expect these audits to be completed within the next three and 15 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 have finalized audits in Canada through the 2005 tax year and are not currently under audit for any subsequent tax years in Canada. On July 28, 2011, we acquired Oakleaf, which is subject to IRS examinations for years dating back to 2009 and state income tax examinations for years dating back to 2002. 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.

. Segment and Related Information

Through the third quarter of 2012, we managed and evaluated our operations primarily through our Eastern, Midwest, Southern, Western and Wheelabrator operating Groups. These five Groups are presented below as our reportable segments. Our four geographic operating Groups provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services for residential, commercial, industrial and municipal customers throughout North America. Our fifth Group is the Wheelabrator Group, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants in the United States and participates in the design, construction, operation and management of waste-to-energy facilities through investments and consolidated entities in China and Europe. In addition, the Oakleaf operations we acquired on July 28, 2011 represent a separate operating segment; however, they do not meet the criteria to be presented as a separate reportable segment. The operations not managed through our five operating Groups, including the Oakleaf operations, are presented herein as "Other." See Note 9 for additional information related to our acquisition of Oakleaf.

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 are in the process of implementing the reorganization, which includes the elimination of our four existing geographic Groups, and we expect it to be completed by the end of 2012. Once the reorganization has been completed, our reportable segments will be realigned to conform with our new management structure. See Note 10 for additional information related to this reorganization.

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

	Gross Operating Re enues	Intercompany Operating Re enues	Net Operating Re enues	Income from Operations
Three Months Ended				
September 30, 2012				
Eastern	$ 778	$ (158)	$ 620	$ 142
Midwest	833	(141)	692	175
Southern	862	(140)	722	180
Western	840	(127)	713	129
Wheelabrator	218	(30)	188	43
Other	552	(26)	526	(22)
	4,083	(622)	3,461	647
Corporate and Other	—	—	—	(147)
Total	$ 4,083	$ (622)	$ 3,461	$ 500
September 30, 2011				
Eastern	$ 822	$ (139)	$ 683	$ 146
Midwest	847	(123)	724	175
Southern	853	(104)	749	194
Western	841	(114)	727	154
Wheelabrator	228	(28)	200	57
Other	462	(23)	439	(40)
	4,053	(531)	3,522	686
Corporate and Other	—	—	—	(143)
Total	$ 4,053	$ (531)	$ 3,522	$ 543
Nine Months Ended				
September 30, 2012				
Eastern	$ 2,294	$ (434)	$ 1,860	$ 416
Midwest	2,412	(388)	2,024	504
Southern	2,575	(386)	2,189	567
Western	2,472	(365)	2,107	405
Wheelabrator	631	(92)	539	62
Other	1,564	(68)	1,496	(94)
	11,948	(1,733)	10,215	1,860
Corporate and Other	—	—	—	(493)
Total	$ 11,948	$ (1,733)	$ 10,215	$ 1,367
September 30, 2011				
Eastern	$ 2,326	$ (387)	$ 1,939	$ 407
Midwest	2,403	(355)	2,048	460
Southern	2,553	(307)	2,246	579
Western	2,456	(336)	2,120	436
Wheelabrator	664	(89)	575	112
Other	1,085	(41)	1,044	(75)
	11,487	(1,515)	9,972	1,919
Corporate and Other	—	—	—	(443)
Total	$ 11,487	$ (1,515)	$ 9,972	$ 1,476

Fluctuations in our operating results may be caused by many factors, including period-to-period changes in the relative contribution of revenue by each line of business and operating segment, changes in commodity prices and by general economic conditions. In addition, our revenues and income from operations typically reflect seasonal patterns. 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 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 hurricanes that most often impact our Southern Group, can actually increase our revenues in the areas affected. While weather-related and other "one-time" occurrences can boost revenues through additional work, 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.

9. Ac uisitions

Oakleaf — 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 principally 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 three- and nine-month periods ended September 30, 2012, Oakleaf recognized revenues of $143 million and $438 million, respectively, and net losses of $4 million and $8 million, respectively. These amounts are included in our Condensed Consolidated Statement of Operations.

The following table shows adjustments since December 31, 2011 to the allocation of the purchase price of Oakleaf to the assets acquired and liabilities assumed based on their estimated fair value and is final as of September 30, 2012 (in millions):

	December 31, 2011	Ad ustments	September 30, 2012
Accounts and other receivables	$ 70	$ 1	$ 71
Other current assets	28	—	28
Property and equipment	72	(2)	70
Goodwill	327	1	328
Other intangible assets	87	—	87
Accounts payable	(82)	—	(82)
Accrued liabilities	(48)	—	(48)
Deferred income taxes, net	(10)	1	(9)
Other liabilities	(12)	(1)	(13)
Total purchase price	$ 432	$ —	$ 432

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

	Amount	Weighted A erage Amorti ation Periods (In Years)
Customer relationships	$ 74	10.0
Vendor relationships	4	10.0
Trademarks	9	15.0
	$ 87	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 four geographic Groups 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 for the three and nine months ended September 30, 2011 have been prepared as if the acquisition of Oakleaf occurred at January 1, 2011 (in millions, except per share amounts):

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Operating revenues	$ 3,566	$ 10,287
Net income attributable to Waste Management, Inc.	272	689
Basic earnings per common share	0.58	1.46
Diluted earnings per common share	0.58	1.45

Other — During the nine months ended September 30, 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, during the nine months ended September 30, 2012 we acquired 21 other businesses related to our collection and recycling operations.

10. 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 being implemented include removal of the management layer consisting of our four existing geographic Groups; consolidation and reduction of the number of Areas managing the core collection, disposal and recycling businesses from 22 to 17; and reduction of corporate support staff in an effort to better align support with the needs of the operating units.

We are in the process of implementing this restructuring plan and we expect it to be completed by the end of 2012. We currently estimate that approximately 700 employee positions throughout the Company, including positions at both the management and support levels, will be eliminated. Voluntary separation arrangements were offered to many in certain levels of management.

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

During the third quarter of 2012, we recognized pre-tax charges of $44 million associated with these restructuring activities, $39 million of which related to employee severance and benefit costs. The remainder of the charge was primarily related to abandoned operating leases. We currently expect to incur additional restructuring charges in the fourth quarter of 2012, consisting of employee severance and benefits expenses and facility, lease and other related expenses, in the range of $20 million to $30 million. The additional restructuring charges are an estimate, and actual charges may vary materially based on various factors, including the number of employee terminations; facility, lease or other restructuring charges that are not yet estimable; and changes in management's objectives.

The following table summarizes the employee severance and benefit costs and other charges recognized for these restructuring activities by each of our current reportable segments and our Corporate and Other organizations for the three and nine months ended September 30, 2012 (in millions):

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Eastern	$ 3	$ 4
Midwest	5	5
Southern	5	7
Western	9	9
Wheelabrator	1	1
Corporate and Other	21	25
Total	$ 44	$ 51

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 September 30, 2012, we have paid a total of approximately $29 million of the employee severance and benefit costs incurred as a result of these combined 2012 and 2011 restructuring efforts.

11. Asset Impairments and Unusual Items

(Income) expense from divestitures, asset impairments and unusual items — During the third quarter of 2012, we recognized impairment charges aggregating $21 million, relating in large part to (i) the impairment of a note receivable from an entity that we invested in that is now being liquidated (see "*Equity in net losses of unconsolidated entities*" discussion below), (ii) the impairment of certain related assets due to our decision not to use or develop those assets and (iii) the impairment of an oil and gas well as a result of projected operating losses that caused us to write-down the carrying value of the oil and gas well to its estimated fair value. These charges are included in our "Other" operations in Note 8.

During the second quarter of 2012, we recognized impairment charges of $34 million, relating primarily to two 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 8.

During the third quarter of 2011, we recognized impairment charges relating to two facilities in our medical waste services business, in addition to the two facilities impaired in the second quarter 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.

Equity in net losses of unconsolidated entities — During the third quarter of 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 third quarter of 2012, we recognized an impairment charge of $14 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 Condensed Consolidated Statement of Operations.

12. Fair alue Measurements

Assets and Liabilities Accounted for at Fair Value

Our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

		Fair alue Measurements at September 30, 2012 Using		
	Total	Quoted Prices in Acti e Mar ets (Le el 1)	Significant Other Obser able Inputs (Le el 2)	Significant Unobser able Inputs (Le el 3)
Assets:				
Cash equivalents	$ 270	$ 270	$ —	$ —
Available-for-sale securities	164	139	—	25
Electricity commodity derivatives	1	—	1	—
Total assets	$ 435	$ 409	$ 1	$ 25
Liabilities:				
Electricity commodity derivatives	$ 4	$ —	$ 4	$ —
Foreign exchange derivatives	16	—	16	—
Interest rate derivatives	42	—	42	—
Total liabilities	$ 62	$ —	$ 62	$ —

		Fair alue Measurements at December 31, 2011 Using		
	Total	Quoted Prices in Acti e Mar ets (Le el 1)	Significant Other Obser able Inputs (Le el 2)	Significant Unobser able Inputs (Le el 3)
Assets:				
Cash equivalents	$ 120	$ 120	$ —	$ —
Available-for-sale securities	179	154	—	25
Interest rate derivatives	73	—	73	—
Electricity commodity derivatives	5	—	5	—
Total assets	$ 377	$ 274	$ 78	$ 25
Liabilities:				
Interest rate derivatives	$ 74	$ —	$ 74	$ —
Foreign exchange derivatives	2	—	2	—
Total liabilities	$ 76	$ —	$ 76	$ —

Fair Value of Available-for-sale Securities — The available-for-sale securities measured using Level 1 inputs are primarily included in long-term "Other assets" in our Condensed Consolidated Balance Sheets. The fair value of available-for-sale securities measured using Level 3 inputs consists of redeemable preferred stock that was acquired in November 2011 and is included in "Investments in unconsolidated entities" in our Condensed Consolidated Balance Sheets. The redeemable preferred stock is recorded at fair value based on other third-party investors' recent or pending transactions in these securities, which are considered to be 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.

Fair Value of Debt

At September 30, 2012, the carrying value of our debt was approximately $10.0 billion compared with $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 4.

The estimated fair value of our debt was approximately $11.5 billion at September 30, 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. The increase in the fair value of our debt when comparing September 30, 2012 with December 31, 2011 is attributable to net borrowings during 2012, increases in market prices for corporate debt securities and decreases in current market rates on fixed-rate tax-exempt bonds.

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 September 30, 2012 and December 31, 2011. These amounts have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

13. ariable 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 September 30, 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 September 30, 2012 and December 31, 2011, our Condensed Consolidated Balance Sheets included $299 million and $308 million, respectively, of net property and equipment associated with the LLCs' waste-to-energy facilities and $250 million and $246 million, respectively, in noncontrolling interests associated with Hancock's and CIT's interests in the LLCs. As of September 30, 2012 and December 31, 2011, all debt obligations of the LLCs had been paid in full and, therefore, the LLCs had no liabilities. We recognized reductions in earnings of $9 million and $34 million for the three and nine months ended September 30, 2012 respectively, and $13 million and $38 million for the three and nine months ended September 30, 2011, 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 established a U.K. limited liability company (the "Ltd.") along with our joint venture partner, a commercial entity in the waste management industry, 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 $323 million based on the exchange rate as of September 30, 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 $92 million based on the exchange rate as of September 30, 2012, of funding to the Ltd. Our actual commitment may be more or less depending on the actual cost of the facility. Through September 30, 2012, we had funded approximately £7 million, or $11 million, through loans and less than $1 million through equity contributions. These amounts are included in our Condensed 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 authority. The impacts of gains or losses incurred on these derivatives will ultimately be remitted to or recoverable from the 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 under the guarantee is not material.

In addition, a wholly-owned subsidiary of the Company 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 the Company 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 within our control to achieve. We also will 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 are subject to variation in our expected profits or potential losses if the actual costs differ from the costs established in the contracts. Our maximum exposure to loss under these contracts cannot 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. As of September 30, 2012 and December 31, 2011, our investment balance was $27 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 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 5.

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. As of September 30, 2012 and December 31, 2011, our investment balance was $160 million and $178 million, respectively, and our debt balance was $158 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 5.

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 Condensed Consolidated Balance Sheet. These trusts had a fair value of $121 million at September 30, 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 Condensed Consolidated Balance Sheet, as appropriate. Our investments and receivables related to these trusts had an aggregate carrying value of $111 million as of September 30, 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."

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.

14. 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):

CONDENSED CONSOLIDATING ALANCE S EETS

Se tem e , 1
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 270	$ —	$ 128	$ —	$ 398
Other current assets	—	—	2,261	—	2,261
	270	—	2,389	—	2,659
Property and equipment, net	—	—	12,518	—	12,518
Investments in and advances to affiliates	12,412	16,417	3,446	(32,275)	—
Other assets	47	12	7,837	—	7,896
Total assets	$ 12,729	$ 16,429	$ 26,190	$ (32,275)	$ 23,073
LIA ILITIES AND E IT					
Current liabilities:					
Current portion of long-term debt	$ 401	$ —	$ 425	$ —	$ 826
Accounts payable and other current liabilities	75	5	2,281	—	2,361
	476	5	2,706	—	3,187
Long-term debt, less current portion	5,923	449	2,794	—	9,166
Other liabilities	42	—	4,066	—	4,108
Total liabilities	6,441	454	9,566	—	16,461
Equity:					
Stockholders' equity	6,288	15,975	16,300	(32,275)	6,288
Noncontrolling interests	—	—	324	—	324
	6,288	15,975	16,624	(32,275)	6,612
Total liabilities and equity	$ 12,729	$ 16,429	$ 26,190	$ (32,275)	$ 23,073

CONDENSED CONSOLIDATING ALANCE S EETS (Continued)

Decem e 1, 11

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 119	$ —	$ 139	$ —	$ 258
Other current assets	6	—	2,115	—	2,121
	125	—	2,254	—	2,379
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	$ 12,251	$ 14,917	$ 25,345	$ (29,944)	$ 22,569
LIA ILITIES AND E IT					
Current liabilities:					
Current portion of long-term debt	$ 298	$ —	$ 333	$ —	$ 631
Accounts payable and other current liabilities	124	13	2,300	—	2,437
	422	13	2,633	—	3,068
Long-term debt, less current portion	5,727	449	2,949	—	9,125
Other liabilities	32	—	3,954	—	3,986
Total liabilities	6,181	462	9,536	—	16,179
Equity:					
Stockholders' equity	6,070	14,455	15,489	(29,944)	6,070
Noncontrolling interests	—	—	320	—	320
	6,070	14,455	15,809	(29,944)	6,390
Total liabilities and equity	$ 12,251	$ 14,917	$ 25,345	$ (29,944)	$ 22,569

CONDENSED CONSOLIDATING STATEMENTS OF O E ATIONS

T ee Mont s Ended Se tem e , 1
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 3,461	$ —	$ 3,461
Costs and expenses	—	—	2,961	—	2,961
Income from operations	—	—	500	—	500
Other income (expense):					
Interest income (expense)	(91)	(8)	(22)	—	(121)
Equity in earnings of subsidiaries, net of taxes	269	274	—	(543)	—
Other, net	—	—	(31)	—	(31)
	178	266	(53)	(543)	(152)
Income before income taxes	178	266	447	(543)	348
Provision for (benefit from) income taxes	(36)	(3)	164	—	125
Consolidated net income	214	269	283	(543)	223
Less: Net income attributable to noncontrolling interests	—	—	9	—	9
Net income attributable to Waste Management, Inc.	$ 214	$ 269	$ 274	$ (543)	$ 214

T ee Mont s Ended Se tem e , 11
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 3,522	$ —	$ 3,522
Costs and expenses	—	—	2,979	—	2,979
Income from operations	—	—	543	—	543
Other income (expense):					
Interest income (expense)	(85)	(8)	(24)	—	(117)
Equity in earnings of subsidiaries, net of taxes	323	328	—	(651)	—
Other, net	—	—	(5)	—	(5)
	238	320	(29)	(651)	(122)
Income before income taxes	238	320	514	(651)	421
Provision for (benefit from) income taxes	(34)	(3)	173	—	136
Consolidated net income	272	323	341	(651)	285
Less: Net income attributable to noncontrolling interests	—	—	13	—	13
Net income attributable to Waste Management, Inc.	$ 272	$ 323	$ 328	$ (651)	$ 272

CONDENSED CONSOLIDATING STATEMENTS OF O E ATIONS (Continued)

Nine Mont s Ended Se tem e , 1
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 10,215	$ —	$ 10,215
Costs and expenses	—	—	8,848	—	8,848
Income from operations	—	—	1,367	—	1,367
Other income (expense):					
Interest income (expense)	(267)	(24)	(71)	—	(362)
Equity in earnings of subsidiaries, net of taxes	755	770	—	(1,525)	—
Other, net	—	—	(51)	—	(51)
	488	746	(122)	(1,525)	(413)
Income before income taxes	488	746	1,245	(1,525)	954
Provision for (benefit from) income taxes	(105)	(9)	443	—	329
Consolidated net income	593	755	802	(1,525)	625
Less: Net income attributable to noncontrolling interests	—	—	32	—	32
Net income attributable to Waste Management, Inc.	$ 593	$ 755	$ 770	$ (1,525)	$ 593

Nine Mont s Ended Se tem e , 11
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Operating revenues	$ —	$ —	$ 9,972	$ —	$ 9,972
Costs and expenses	—	—	8,496	—	8,496
Income from operations	—	—	1,476	—	1,476
Other income (expense):					
Interest income (expense)	(256)	(25)	(71)	—	(352)
Equity in earnings of subsidiaries, net of taxes	850	865	—	(1,715)	—
Other, net	—	—	(16)	—	(16)
	594	840	(87)	(1,715)	(368)
Income before income taxes	594	840	1,389	(1,715)	1,108
Provision for (benefit from) income taxes	(101)	(10)	488	—	377
Consolidated net income	695	850	901	(1,715)	731
Less: Net income attributable to noncontrolling interests	—	—	36	—	36
Net income attributable to Waste Management, Inc.	$ 695	$ 850	$ 865	$ (1,715)	$ 695

CONDENSED CONSOLIDATING STATEMENTS OF COM E ENSI E INCOME
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
T ee Mont s Ended Se tem e , 1					
Comprehensive income	$ 215	$ 269	$ 319	$ (543)	$ 260
Less: Comprehensive income attributable to noncontrolling interests	—	—	9	—	9
Comprehensive income attributable to Waste Management, Inc.	$ 215	$ 269	$ 310	$ (543)	$ 251
T ee Mont s Ended Se tem e , 11					
Comprehensive income	$ 246	$ 323	$ 252	$ (651)	$ 170
Less: Comprehensive income attributable to noncontrolling interests	—	—	13	—	13
Comprehensive income attributable to Waste Management, Inc.	$ 246	$ 323	$ 239	$ (651)	$ 157

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Nine Mont s Ended Se tem e , 1					
Comprehensive income	$ 581	$ 755	$ 842	$ (1,525)	$ 653
Less: Comprehensive income attributable to noncontrolling interests	—	—	32	—	32
Comprehensive income attributable to Waste Management, Inc.	$ 581	$ 755	$ 810	$ (1,525)	$ 621
Nine Mont s Ended Se tem e , 11					
Comprehensive income	$ 667	$ 850	$ 843	$ (1,715)	$ 645
Less: Comprehensive income attributable to noncontrolling interests	—	—	36	—	36
Comprehensive income attributable to Waste Management, Inc.	$ 667	$ 850	$ 807	$ (1,715)	$ 609

CONDENSED CONSOLIDATING STATEMENTS OF CAS FLOWS

Nine Mont s Ended Se tem e , 1
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Cash flows from operating activities:					
Consolidated net income	$ 593	$ 755	$ 802	$ (1,525)	$ 625
Equity in earnings of subsidiaries, net of taxes	(755)	(770)	—	1,525	—
Other adjustments	75	(8)	1,026	—	1,093
Net cash provided by (used in) operating activities	(87)	(23)	1,828	—	1,718
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(178)	—	(178)
Capital expenditures	—	—	(1,132)	—	(1,132)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	28	—	28
Net receipts from restricted trust and escrow accounts and other, net	—	—	(79)	—	(79)
Net cash used in investing activities	—	—	(1,361)	—	(1,361)
Cash flows from financing activities:					
New borrowings	645	—	40	—	685
Debt repayments	(335)	—	(138)	—	(473)
Common stock repurchases	—	—	—	—	—
Cash dividends	(493)	—	—	—	(493)
Exercise of common stock options	39	—	—	—	39
Distributions paid to noncontrolling interests and other	14	—	9	—	23
(Increase) decrease in intercompany and investments, net	368	23	(391)	—	—
Net cash provided by (used in) financing activities	238	23	(480)	—	(219)
Effect of exchange rate changes on cash and cash equivalents	—	—	2	—	2
Increase (decrease) in cash and cash equivalents	151	—	(11)	—	140
Cash and cash equivalents at beginning of period	119	—	139	—	258
Cash and cash equivalents at end of period	$ 270	$ —	$ 128	$ —	$ 398

CONDENSED CONSOLIDATING STATEMENTS OF CAS FLOWS (Continued)

Nine Mont s Ended Se tem e , 11
(naudited)

	WM	WM oldings	Non Gua anto Su sidia ies	Eliminations	Consolidated
Cash flows from operating activities:					
Consolidated net income	$ 695	$ 850	$ 901	$ (1,715)	$ 731
Equity in earnings of subsidiaries, net of taxes	(850)	(865)	—	1,715	—
Other adjustments	8	(11)	1,009	—	1,006
Net cash provided by (used in) operating activities	(147)	(26)	1,910	—	1,737
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(645)	—	(645)
Capital expenditures	—	—	(909)	—	(909)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	22	—	22
Net receipts from restricted trust and escrow accounts and other, net	(5)	—	2	—	(3)
Net cash used in investing activities	(5)	—	(1,530)	—	(1,535)
Cash flows from financing activities:					
New borrowings	893	—	108	—	1,001
Debt repayments	—	(147)	(278)	—	(425)
Common stock repurchases	(528)	—	—	—	(528)
Cash dividends	(481)	—	—	—	(481)
Exercise of common stock options	40	—	—	—	40
Distributions paid to noncontrolling interests and other	(10)	—	(56)	—	(66)
(Increase) decrease in intercompany and investments, net	(43)	173	(130)	—	—
Net cash provided by (used in) financing activities	(129)	26	(356)	—	(459)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—
Increase (decrease) in cash and cash equivalents	(281)	—	24	—	(257)
Cash and cash equivalents at beginning of period	465	—	74	—	539
Cash and cash equivalents at end of period	$ 184	$ —	$ 98	$ —	$ 282

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

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included under Item 1 and our Consolidated Financial Statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011.

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;
- any projections of the amount, timing or impact of cost savings, restructuring actions, workforce reductions or related charges;
- 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 the 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 Condensed Consolidated Financial Statements and the notes thereto.

Some of the risks that we believe could affect our financial statements for 2012 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 include the following:

- competition may negatively affect our profitability or cash flows, our pricing strategy may have negative effects on volumes, and inability to execute our pricing strategy in order to retain and attract customers may negatively affect our average yield on collection and disposal business;
- we may fail in implementing our optimization and growth initiatives and overall business strategy, which could adversely impact our financial performance and growth;
- our restructuring may not achieve the goals and cost savings intended, implementing the restructuring may result in business disruption and employee distraction, and changes in our organizational structure and workforce could result in significant restructuring charges;
- regulations may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring additional capital expenditures;
- possible changes in our estimates of costs for site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments may increase our expenses;
- certain materials processed by our recycling operations are subject to significant commodity price fluctuations, as are methane gas, electricity and other energy-related products marketed and sold by our landfill gas recovery, waste-to-energy and independent power production plant operations; fluctuations in commodity prices may have negative effects on our operating results;

increasing customer preference for alternatives to traditional disposal, government mandates requiring recycling and prohibiting disposal of certain types of waste, and overall reduction of waste generated could continue to have a negative effect on volumes of waste going to landfills and waste-to-energy facilities;

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 existing and proposed service offerings to customers may require that we develop or license, and protect, new technologies; and our inability to obtain or protect new technologies could impact our services to customers and development of new revenue sources;

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;

there is a risk of incurring significant environmental liabilities in the use, treatment, storage, transfer and disposal of waste materials; any substantial liability for environmental damage could have a material adverse effect on our financial condition and cash flows;

weak economic conditions may negatively affect the volumes of waste generated;

some of our customers, including governmental entities, have suffered financial difficulties that could affect our business and operating results, due to their credit risk and the impact of the municipal debt market on remarketing of our tax-exempt bonds;

if we are unable to obtain and maintain permits needed to open, operate, and/or expand our facilities, our results of operations will be negatively impacted;

fuel price increases or fuel supply shortages may increase our expenses and restrict our ability to operate;

problems with the operation of current information technology or the development and deployment of new information systems could decrease our efficiencies and increase our costs;

a cybersecurity incident could negatively impact our business and our relationships with customers;

efforts by labor unions to organize our employees may increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to labor disruptions, including strikes and lock-outs, which could adversely affect our results of operations and cash flows;

we could face significant liability for withdrawal from multiemployer pension plans;

we are subject to operational and safety risks, including the risk of personal injury to employees and others;

increased costs for financial assurance or the inadequacy of our insurance coverage could negatively impact our liquidity and increase our liabilities;

possible charges as a result of shut-down operations, uncompleted development or expansion projects or other events may negatively affect earnings;

we may reduce or suspend capital expenditures, acquisition activity, dividend declarations or share repurchases if we suffer a significant reduction in cash flows;

we may be unable to incur future indebtedness on terms we deem acceptable or to refinance our debt obligations, including near-term maturities, on acceptable terms and higher interest rates and market conditions may increase our expense;

climate change legislation, including possible limits on carbon emissions, may negatively impact our results of operations by increasing expenses;

- weather conditions and one-time special projects cause our results to fluctuate, and harsh weather or natural disasters may cause us to temporarily suspend operations; 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 business, or third parties with whom we have relationships, were to fail to comply with United States or foreign laws or regulations;
- negative outcomes of litigation or threatened litigation or governmental proceedings may increase our costs, limit our ability to conduct or expand our operations, or limit our ability to execute our business plans and strategies; and
- the adoption of new accounting standards or interpretations may cause fluctuations in reported quarterly results of operations or adversely impact our reported results of operations.

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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. Our subsidiaries provide collection, transfer, recycling and disposal services. We are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States. Our customers include residential, commercial, industrial and municipal customers throughout North America.

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 the current quarter include:

- Revenues of $3,461 million compared with $3,522 million in the third quarter of 2011, a decrease of $61 million, or 1.7%. This decrease in revenues is primarily attributable to:
  - The continued decline in recyclable commodity prices which decreased our revenues by $176 million; partially offset by,
  - Increases associated with acquired businesses of $95 million; and

Internal revenue growth from yield on our collection and disposal business of 0.8%, or $22 million, in the current period, including a negative impact of 0.2%, or $5 million, from our waste-to-energy business, primarily as a result of lower disposal rates associated with the expiration and renegotiation of a long-term disposal contracts;

Operating expenses of $2,229 million, or 64.4% of revenues, compared with $2,261 million, or 64.2% of revenues, in the third quarter of 2011. This decrease of $32 million is due primarily to a decrease in customer rebates because of lower recyclable commodity prices, partially offset by increases due to acquisitions and growth initiatives;

Selling, general and administrative expenses decreased by $45 million, or 11.8%, from $380 million in the third quarter of 2011 to $335 million in the third quarter of 2012, largely due to reductions in our bonus and long-term incentive plan expenses;

Income from operations of $500 million, or 14.4% of revenues, compared with $543 million, or 15.4% of revenues, in the third quarter of 2011; and

Net income attributable to Waste Management, Inc. of $214 million, or $0.46 per diluted share, as compared with $272 million, or $0.58 per diluted share in the third quarter of 2011.

The comparability of our diluted earnings per share has been affected by the following items that occurred in the third quarter of 2012:

Pre-tax costs aggregating $47 million related to our July 2012 restructuring and integration costs associated with our acquisition of Oakleaf, which had a negative impact of $0.06 on our diluted earnings per share;

The recognition of impairment charges of $45 million, primarily associated with certain of our investments in unconsolidated entities and related assets, which had an unfavorable impact of $0.08 on our diluted earnings per share; and

The recognition of a pre-tax charge of $6 million resulting from a union labor dispute in our Western Group, which had a negative impact of $0.01 on our diluted earnings per share.

Our third quarter of 2011 results were affected by the following:

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 had a negative impact of $0.02 on our diluted earnings per share;

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;

The 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 had a negative impact of $0.01 on our diluted earnings per share;

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; and

The recognition of a tax benefit of $10 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 $0.02 on our diluted earnings per share.

We anticipate continued improvement in our pricing and cost savings initiatives, particularly our July 2012 restructuring activities; however, throughout the remainder of 2012, we expect to see a continued year-over-year decline in recyclable commodity prices and from our waste-to-energy business. Because commodity markets are inherently volatile, this prediction could materially change if markets either improve or deteriorate beyond our current predictions.

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 U.S. GAAP measure. However, we believe free cash flow gives investors useful insight into how we view our liquidity. Nevertheless, 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:

	T ee Mont s Ended Se tem e ,		Nine Mont s Ended Se tem e ,	
	1	11	1	11
Net cash provided by operating activities	$ 574	$ 659	$ 1,718	$ 1,737
Capital expenditures	(402)	(313)	(1,132)	(909)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets(a)	8	26	28	39
Free cash flow	$ 180	$ 372	$ 614	$ 867

(a) Proceeds from divestitures of businesses for the three and nine months ended September 30, 2011 includes 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 Condensed Consolidated Statement of Cash Flows.

When comparing our cash flow from operating activities for the three and nine months ended September 30, 2012 to the comparable periods in 2011, the decrease was primarily related to the payment of $59 million to settle the liabilities associated with the termination of forward-starting swaps in September 2012, as well as the impact of lower cash earnings and the unfavorable impacts of working capital changes. These decreases were partially offset by a decrease in tax payments of $70 million for the nine months ended September 30, 2012 as compared with the nine months ended September 30, 2011 and a favorable cash receipt of $72 million resulting from the termination of interest rate swaps in April 2012.

The increase in capital expenditures when comparing the nine months ended September 30, 2012 with the prior year period can generally be attributed to 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 spending was paid in cash in 2012 than in the preceding year.

Acquisition of Oakleaf — 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 principally 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 three- and nine-month periods ended September 30, 2012, Oakleaf recognized revenues of $143 million and $438 million, respectively, and net losses of $4 million and $8 million, respectively. These amounts are included in our Condensed Consolidated Statement of Operations.

The following pro forma consolidated results of operations for the three and nine months ended September 30, 2011 have been prepared as if the acquisition of Oakleaf occurred at January 1, 2011 (in millions, except per share amounts):

	T ee Mont s Ended Se tem e , 11	Nine Mont s Ended Se tem e , 11
Operating revenues	$ 3,566	$ 10,287
Net income attributable to Waste Management, Inc.	272	689
Basic earnings per common share	0.58	1.46
Diluted earnings per common share	0.58	1.45

Adoption of New Accounting Pronouncements

Fair Value Measurement — In May 2011, the Financial Accounting Standards Board ("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. 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.

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.

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 based on generally accepted methods. 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, as described in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2011. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

In the second quarter of 2012, we believed that the fair value of our Wheelabrator Group 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 our Wheelabrator Group's goodwill balance, which was $788 million as of June 30, 2012.

We performed an interim quantitative assessment using both an income and a market approach, which indicated that the estimated fair value of our Wheelabrator Group exceeded its carrying value; however, the amount by which the fair value exceeded the carrying value declined significantly from the most recent annual impairment test performed at October 1, 2011. At that time, our Wheelabrator Group's estimated fair value exceeded its carrying value by approximately 30%, as compared with slightly greater than 10% as of the interim impairment test performed in the second quarter of 2012. If market prices for electricity worsen or do not recover as we have projected, if our disposal rates continue to decline, or if our costs and capital expenditures exceed our forecasts, the estimated fair value of our Wheelabrator Group could decrease further and potentially result in an impairment charge in a future period. We continue to monitor our Wheelabrator Group for possible impairment of their goodwill balance.

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Operating Revenues

Through the third quarter of 2012, we managed and evaluated our principal operations through our Eastern, Midwest, Southern, Western and Wheelabrator Groups. These five Groups are our reportable segments. Our four geographic operating Groups provide collection, transfer, disposal (in both solid waste and hazardous waste landfills) and recycling services for residential, commercial, industrial and municipal customers throughout North America. Our fifth Group is the Wheelabrator Group, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants in the United States and through investments in China and Europe. In addition, the Oakleaf operations we acquired on July 28, 2011 represent a separate operating segment; however, they do not meet the criteria to be presented as a separate reportable segment.

We also provide additional services that are not managed through our five Groups, including the Oakleaf operations referenced above, recycling brokerage services, electronic recycling services, in-plant services, landfill gas-to-energy services, integrated medical waste services and expanded service offerings and solutions. Part of our expansion of services includes offering portable self-storage services and fluorescent bulb and universal waste mail-back through our LampTracker® program. In addition, we have made investments that involve the acquisition and development of interests in oil and gas producing properties. These operations are presented as "Other" in the table below.

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 are in the process of implementing the reorganization, which includes the elimination of our four existing geographic Groups, and we expect it to be completed by the end of 2012. Once the reorganization has been completed, our reportable segments will be realigned to conform with our new management structure. Refer to Note 10 to the Condensed Consolidated Financial Statements for more information related to this reorganization.

Shown below (in millions) is the contribution to revenues during each period provided by our five Groups and our Other services:

	T ee Mont s Ended Se tem e ,		Nine Mont s Ended Se tem e ,	
	1	11	1	11
Eastern	$ 778	$ 822	$ 2,294	$ 2,326
Midwest	833	847	2,412	2,403
Southern	862	853	2,575	2,553
Western	840	841	2,472	2,456
Wheelabrator	218	228	631	664
Other	552	462	1,564	1,085
Intercompany	(622)	(531)	(1,733)	(1,515)
Total	$ 3,461	$ 3,522	$ 10,215	$ 9,972

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

	T ee Mont s Ended Se tem e ,		Nine Mont s Ended Se tem e ,	
	1	11	1	11
Collection:				
Commercial	$ 851	$ 885	$ 2,571	$ 2,620
Residential	644	657	1,932	1,953
Industrial	553	540	1,591	1,535
Other	71	68	205	179
Total collection	2,119	2,150	6,299	6,287
Landfill	705	690	1,996	1,940
Transfer	332	337	961	965
Wheelabrator	218	228	631	664
Recycling	316	438	1,030	1,227
Other	393	210	1,031	404
Intercompany	(622)	(531)	(1,733)	(1,515)
Total	$ 3,461	$ 3,522	$ 10,215	$ 9,972

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:

	e iod to e iod C ange o t e T ee Mont s Ended Se tem e , 1 . s 11		e iod to e iod C ange o t e Nine Mont s Ended Se tem e , 1 . s 11	
	Amount	**As a o Total Com an (a)**	**Amount**	**As a o Total Com an (a)**
Average yield(b)	$ (148)	(4.2)%	$ (284)	(2.8)%
Volume	(5)	(0.1)	53	0.5
Internal revenue growth	(153)	(4.3)	(231)	(2.3)
Acquisitions	95	2.7	490	4.9
Divestitures	(1)	—	(2)	—
Foreign currency translation	(2)	(0.1)	(14)	(0.2)
	$ (61)	(1.7)%	$ 243	2.4%

(a) Calculated by dividing the amount of current period increase or decrease by the prior period's total Company revenue adjusted to exclude the impacts of divestitures for the current period ($3,521 million and $9,970 million for the three- and nine-month periods, respectively).

(b) The amounts reported herein represent the changes in our revenue attributable to average yield for the total Company. We 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:

	e iod to e iod C ange o t e T ee Mont s Ended Se tem e , 1 . s 11		e iod to e iod C ange o t e Nine Mont s Ended Se tem e , 1 . s 11	
	Amount	**As a o elated usiness(i)**	**Amount**	**As a o elated usiness(i)**
Average yield:				
Collection, landfill and transfer	$ 27	1.0%	$ 78	1.0%
Waste-to-energy disposal(ii)	(5)	(4.1)	(18)	(5.2)
Collection and disposal(ii)	22	0.8	60	0.7
Recycling commodities	(176)	(38.6)	(345)	(27.5)
Electricity(ii)	(2)	(2.8)	(16)	(7.7)
Fuel surcharges and mandated fees	8	5.0	17	3.7
Total	$ (148)	(4.2)	$ (284)	(2.8)

(i) Calculated by dividing the increase or decrease for the current period by the prior period's related business revenue, adjusted to exclude the impacts of divestitures for the current period. The table below summarizes the related business revenues for the three and nine months ended September 30, 2011 adjusted to exclude the impacts of divestitures:

	Denominato	
	T ee Mont s Ended Se tem e	Nine Mont s Ended Se tem e
Related business revenues:		
Collection, landfill and transfer	$ 2,711	$ 7,697
Waste-to-energy disposal	121	349
Collection and disposal	2,832	8,046
Recycling commodity	456	1,255
Electricity	72	207
Fuel surcharges and mandated fees	161	462
Total Company	$ 3,521	$ 9,970

(ii) Average revenue growth from yield for "Collection and disposal" excludes all electricity-related revenues generated by our Wheelabrator Group, which are reported as "Electricity" revenues.

Our revenues decreased $61 million, or 1.7%, during the three months ended September 30, 2012 as compared with the prior year period. This decrease was primarily driven by a decline in recyclable commodity prices, which was partially offset by revenue growth from acquisitions and yield on our collection and disposal lines of business. Our revenue growth from acquisitions includes $44 million from our acquisition of Oakleaf. Note that the overall rate of revenue growth due to acquisitions for the three months ended September 30, 2012 has decreased significantly as compared to previous quarters in 2012 as a result of the anniversary of our Oakleaf acquisition at the end of July 2012.

Our revenues increased $243 million, or 2.4%, for the nine months ended September 30, 2012 as compared with the prior year period. During the nine-month period, our revenue growth has been driven by (i) acquisitions, particularly the acquisition of Oakleaf, which increased consolidated revenues $314 million for the nine months ended September 30, 2012, (ii) increased collection and disposal average yield, and (iii) increased volume. Offsetting these revenue increases were market factors, including lower recyclable commodity prices, primarily driven by the continued increase in supply and lower demand; lower electricity prices and foreign currency translation. Electricity prices correlate with natural gas prices and cause fluctuations in the rates we receive for electricity under our power purchase contracts and merchant transactions. Foreign currency translation affects revenues from our Canadian operations.

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 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.

Our revenue growth from yield on our collection and disposal lines of business was $22 million, or 0.8%, and $60 million, or 0.7%, for the three and nine months ended September 30, 2012, respectively. This increase in revenue from yield was primarily driven by our collection operations, particularly in our commercial and industrial lines of business. Our overall revenue growth from yield in our residential line of business improved for the quarter ended September 30, 2012 and was favorable for the first nine months of 2012. However, our Eastern and Southern Groups continued to experience downward pressure on our revenue growth from yield in our residential line of business, where we experienced negative revenue growth from yield for the first nine months of 2012. Due to competition, it is 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.

For the three and nine months ended September 30, 2012, our total collection and disposal revenue growth from yield was negatively affected by $7 million and $24 million, respectively, as a result of the expiration and renegotiation of a long-term disposal contract in August 2011 at one of our waste-to-energy facilities in South Florida. Certain of the franchise agreements serviced by our collection companies 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 companies. The expiration and renegotiation of this contract decreased revenues both in our waste-to-energy disposal line of business, by approximately $5 million and $17 million for the three and nine months ended September 30, 2012, and in our collection line of business, by approximately $2 million and $7 million for the three and nine months ended September 30, 2012, respectively. Additionally, for the three and nine months ended September 30, 2012, we experienced further downward pressure on our revenue growth from yield in our waste-to-energy disposal line of business of approximately $2 million and $4 million, respectively, 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.

Revenues from our environmental fee, which are included in average revenue growth from yield on collection and disposal, increased $8 million and $40 million for the three and nine months ended September 30, 2012, respectively. These revenues were $90 million and $257 million for the three and nine months ended September 30, 2012 as compared with $82 million and $217 million for the three and nine months ended September 30, 2011, respectively.

Recycling commodities — Decreases in the prices of recyclable commodities resulted in a decline in revenues of $176 million and $345 million, with an estimated negative impact on income from operations of approximately $60 million and $100 million, for the three and nine months ended September 30, 2012, respectively. During the fourth quarter of 2011, we saw commodity prices decline 4% as compared with the prior year. During the first nine months of 2012, we saw the downward trend continue as year-over-year commodity prices declined almost 30%, driven by the continued increase in supply and lower demand.

Fuel surcharges and mandated fees — These revenues, which are predominantly generated by our fuel surcharge program, increased by $8 million and $17 million over the comparable prior year periods during the three and nine months ended September 30, 2012, respectively. This increase is directly attributable to higher national average prices for diesel fuel that we use for our fuel surcharge program and increased mandated fees, which 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.

Volume

Changes in our volume caused our revenues to decrease $5 million and increase $53 million during the three and nine months ended September 30, 2012, respectively, as compared with the same prior year periods. The current quarter revenue decline due to volume was primarily driven by one less workday in the current period as compared with the prior year period. Nevertheless, this is a notable improvement from 2011 when lower volumes caused our revenue to decrease $64 million and $167 million as compared with the three and nine months ended September 30, 2010, respectively.

Our total landfill revenues increased $12 million and $42 million for the three and nine months ended September 30, 2012, respectively, over the comparable prior year periods due to higher third-party volumes, primarily driven by higher special waste volumes in our Eastern and Midwest geographic Groups. In addition, revenues increased from year-over-year volume growth in our recycling brokerage business and our material recovery facilities by $13 million and $26 million for the three and nine months ended September 30, 2012, respectively. The additional recycling capacity that we added during 2011 and 2012, as well as our continued pursuit of municipal volumes, contributed to these increases in revenues due to volume.

Volume declines from our collection business accounted for a $35 million revenue decline during the nine months ended September 30, 2012, which we experienced entirely in the second and third quarters of 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 in our Eastern Group. Additionally, during the nine months ended September 30, 2012, 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.

Acquisitions

Revenues increased $95 million and $490 million for the three and nine months ended September 30, 2012, respectively, due to acquisitions. The increase was principally associated with our acquisition of Oakleaf, which is reported in our "Other" line of business. Additionally, acquisitions increased our revenues in the current period in our collection line of business, due in part to our oilfield services business in our Eastern Group, and in our recycling line of business. These acquisitions demonstrate our focus on identifying strategic growth opportunities in new, complementary lines of business. Note that the rate of revenue growth due to acquisitions for the three months ended September 30, 2012 has decreased significantly as compared to previous quarters in 2012 as a result of the anniversary of our Oakleaf acquisition at the end of July 2012.

Operating Expenses

Our operating expenses decreased by $32 million, or 1.4%, and increased by $259 million, or 4.0% for the three and nine months ended September 30, 2012 as compared with the three and nine months ended September 30, 2011, respectively. Our operating expenses as a percentage of revenues increased from 64.2% in the third quarter of 2011 to 64.4% in the current quarter, and increased from 64.1% for the nine months ended September 30, 2011 to 65.1% for the nine months ended September 30, 2012. The changes in our operating expenses during the three and nine months ended September 30, 2012 can largely be attributed to the following:

Acquisitions and growth initiatives — We have experienced cost increases attributable to recently acquired businesses and, to a lesser extent, our various growth and business development initiatives, although much of this impact began to anniversary during the third quarter of 2012. The increase in operating expenses resulting from acquired businesses was more than offset by increased revenues from acquired businesses. Recent acquisitions include Oakleaf, a number of collection operations, including oilfield services in our Eastern Group, and several recycling operations. These cost increases affected each of the operating cost categories identified in the table below and were the main driver of our total increase in operating expenses for the nine months ended September 30, 2012. In particular, the acquisition of Oakleaf increased operating costs by $35 million in the current quarter and $263 million for the nine months ended September 30, 2012, primarily increasing subcontractor costs and, to a lesser extent, the cost of goods sold and other categories;

Volume changes — During the three and nine months ended September 30, 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 and largely during the first quarter. We continue to manage our fixed costs and control our variable costs as we experience volume increases and decreases. Note that during the third quarter 2012, collection volumes decreased slightly and, as a result, we were able to reduce related variable costs as compared with the third quarter of 2011. These cost fluctuations due to volume have impacted each of the operating cost categories identified in the table below; and

Lower market prices for recyclable commodities — Overall, market prices for recyclable commodities decreased on a year-over-year basis by approximately 40% and 30% for the three and nine months ended September 30, 2012, respectively, as a result of the continued decrease in recyclable commodity market prices that began during late 2011 from the near-historic highs reached during the second and third quarters of 2011. This decrease in market prices was the primary driver of the current quarter and year-to-date decrease in cost of goods sold, primarily customer rebates, and has also resulted in decreased revenues and earnings during the current year.

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

	T ee Mont s Ended Se tem e ,		e iod to e iod C ange		Nine Mont s Ended Se tem e ,		e iod to e iod C ange	
	1	11			1	11		
Labor and related benefits	$ 595	$ 598	$ (3)	(0.5)%	$ 1,793	$ 1,743	$ 50	2.9%
Transfer and disposal costs	244	246	(2)	(0.8)	712	709	3	0.4
Maintenance and repairs	284	271	13	4.8	876	829	47	5.7
Subcontractor costs	314	277	37	13.4	889	658	231	35.1
Cost of goods sold	224	306	(82)	(26.8)	706	822	(116)	(14.1)
Fuel	161	161	—	—	485	471	14	3.0
Disposal and franchise fees and taxes	163	157	6	3.8	467	452	15	3.3
Landfill operating costs	58	69	(11)	(15.9)	168	193	(25)	(13.0)
Risk management	52	56	(4)	(7.1)	170	175	(5)	(2.9)
Other	134	120	14	11.7	389	344	45	13.1
	$ 2,229	$ 2,261	$ (32)	(1.4)%	$ 6,655	$ 6,396	$ 259	4.0%

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 year-to-date increase was largely due to (i) additional employee expenses incurred as a result of acquisitions and growth opportunities; (ii) higher hourly and salaried wages due to merit increases effective April 2011 and increases stipulated in union labor agreements; and (iii) a non-cash charge incurred during the three months ended June 30, 2012 by our Eastern Group as a result of our partial withdrawal from an underfunded multiemployer pension plan in New England. Note that during the current quarter, labor costs were slightly lower than the prior year period, reversing the trend of the year-over-year increases seen in the first and second quarters of 2012. This was partially the result of (i) the anniversary of a number of acquisitions during the current quarter, including Oakleaf, which reduced the impacts of year-over-year cost increases as a result of acquisitions compared to recent quarters, (ii) lower year-to-date bonus expense in 2012 when compared with 2011; and (iii) one less workday in the current quarter than in the third quarter of 2011.

Maintenance and repairs — The increase was primarily due to (i) higher costs in our geographic Groups, largely attributable to increased fleet maintenance costs, (ii) differences in the timing and scope of planned maintenance projects at our waste-to-energy facilities, principally during the first quarter, a portion of which was offset by an increase in revenues related to the reimbursement of certain of these costs by a municipality, and (iii) an increase in container maintenance costs as a result of our third quarter 2011 acquisition of Oakleaf. Our fleet maintenance costs include services provided by third parties, tires, parts and internal shop labor costs. The increase in expense for tires and parts reflects the worldwide increase in related commodity prices. Through our Oakleaf acquisition, we operate a nationwide compactor leasing business (Greenleaf Compaction) which has increased our container maintenance costs in the current year when compared with the nine months ended September 30, 2011.

Subcontractor costs — The current year increase in subcontractor costs was primarily a result of the Oakleaf acquisition and, to a much lesser extent, (i) other recent acquisitions, (ii) our various growth and business development initiatives, primarily associated with servicing our in-plant services and healthcare solutions customers, and (iii) as discussed further below, higher fuel prices, which resulted in an increase in the fuel component of our subcontractor costs during the current year. Oakleaf principally utilizes a nationwide network of third-party haulers to service its customers. As a result, this acquisition increased our subcontractor costs by $32 million and $213 million for the current quarter and year-to-date as compared with the three- and nine-month periods of 2011, respectively.

Fuel — On average, diesel fuel prices increased 3.1% from $3.84 per gallon for the nine months ended September 30, 2011 to $3.96 per gallon for the nine months ended September 30, 2012. Higher fuel costs experienced during the current year caused increases in both our direct fuel costs and in the fuel component of our subcontractor costs as compared with the nine months ended September 30, 2011. Increased revenues attributable to our fuel surcharge largely offset the higher fuel costs incurred during the current year.

Landfill operating costs — The decrease in these costs during the current year was due largely to:

The prior year recognition of an unfavorable adjustment of $17 million during the three and nine months ended September 30, 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 the second and third quarters of 2011, which were due to significant rainfall events, including the effects from spring flooding in the second quarter and Hurricane Irene and Tropical Storm Lee during the third quarter; partially offset by

The third quarter 2011 recognition of a $9 million favorable revision to an environmental liability at a closed site based on the estimated cost of the remediation alternative selected by the EPA.

Other — The current year increase was due to our Oakleaf acquisition, other recent acquisitions and our various growth and business development initiatives. The increase from our various initiatives is associated with the rental of facilities and equipment for these operations. The current quarter included additional costs associated with a union labor dispute in Seattle, which also contributed to the current year increase in this category for the three and nine months ended September 30, 2012.

Selling, General and Administrative

Our selling, general and administrative expenses decreased by $45 million, or 11.8%, and $28 million, or 2.4%, when comparing the three and nine months ended September 30, 2012 with the comparable prior year periods, respectively. As a percentage of revenue, our selling, general and administrative expenses decreased from 10.8% for the third quarter of 2011 to 9.7% for the third quarter of 2012, and decreased from 11.5% for the nine months ended September 30, 2011 to 10.9% for the nine months ended September 30, 2012. The most significant items affecting the year-over-year comparison of selling, general and administrative costs for the three and nine months ended September 30, 2012 include the following:

A decrease in bonus expense of $44 million and $57 million, respectively, and a decrease in non-cash compensation expense attributable to our long-term incentive plan, or LTIP, of $4 million and $15 million, respectively;

A decrease in consulting costs of $5 million and $26 million, respectively. We incurred higher consulting costs in 2011 during the start-up phase of our company-wide initiatives focusing on procurement, operational and back-office efficiency. However, the decrease in consulting costs was partially offset by additional costs associated with our efforts to implement these initiatives. These additional costs were principally labor-related and resulted in increases of $1 million and $10 million for the three- and nine-month comparisons, respectively; and

Our acquisition of Oakleaf, which increased costs by $5 million and $36 million, respectively. The year-over-year impact of Oakleaf has decreased significantly as compared with previous quarters in 2012 as a result of the anniversary of the acquisition at the end of July 2012.

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 are in the process of implementing the reorganization and we expect it to be completed by the end of 2012. During the three and nine months ended September 30, 2012, we realized labor and related benefits cost savings of $6 million.

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

	T ee Mont s Ended Se tem e ,		e iod to e iod C ange		Nine Mont s Ended Se tem e ,		e iod to e iod C ange	
	1	11			1	11		
Labor and related benefits	$ 187	$ 233	$ (46)	(19.7)%	$ 643	$ 676	$ (33)	(4.9)%
Professional fees	35	39	(4)	(10.3)	122	146	(24)	(16.4)
Provision for bad debts	13	15	(2)	(13.3)	42	32	10	31.3
Other	100	93	7	7.5	309	290	19	6.6
	$ 335	$ 380	$ (45)	(11.8)%	$ 1,116	$ 1,144	$ (28)	(2.4)%

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

Labor and related benefits — During the three and nine months ended September 30, 2012 we experienced higher expenses associated with our executive salary deferral plan, which are directly affected by equity-market conditions. During the nine months ended September 30, 2012, compensation expense was higher than the same prior year period due to average headcount increases from the acquisition of Oakleaf and the company-wide initiatives mentioned above, as well as our sales and marketing initiatives. However, compensation expense was lower in the third quarter of 2012 as compared with the same prior year period as a result of the savings realized from our July 2012 restructuring activities.

Provision for bad debts — During the current quarter, our provision for bad debts decreased due in part to the unfavorable impact of a reserve recorded in 2011 associated with the bankruptcy of one of our recycling paper mill customers. The current quarter decrease was more than offset during the nine months ended September 30, 2012, as a result of (i) increased collection risk resulting from work we are performing in certain new businesses in our Eastern Group; (ii) collection issues we are experiencing in our Puerto Rico operations in our Southern Group; and (iii) increases due to our Oakleaf acquisition.

Other — In 2012, we experienced increases in our (i) travel and entertainment costs to support our strategic efforts; (ii) building and equipment costs, which include rental and utilities; (iii) computer and telecommunications costs, due in part to improvements we are making to our information technology systems; and (iv) litigation settlement costs, principally noted in the three-month comparison.

Depreciation and Amortization

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

	T ee Mont s Ended Se tem e ,		e iod to e iod to e iod C ange		Nine Mont s Ended Se tem e ,		e iod to e iod to e iod C ange	
	1	11			1	11		
Depreciation of tangible property and equipment	$ 207	$ 200	$ 7	3.5%	$ 622	$ 599	$ 23	3.8%
Amortization of landfill airspace	107	103	4	3.9	297	300	(3)	(1.0)
Amortization of intangible assets	17	14	3	21.4	52	36	16	44.4
	$ 331	$ 317	$ 14	4.4%	$ 971	$ 935	$ 36	3.9%

The increase in amortization expense of intangible assets in 2012 is due to our focus on the growth and development of our business through acquisitions and other investments. The increase is primarily related to the amortization of customer lists, which were acquired through our acquisition of Oakleaf and various collection and recycling operations.

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 being implemented include removal of the management layer consisting of our four existing geographic Groups; consolidation and reduction of the number of Areas managing the core collection, disposal and recycling businesses from 22 to 17; and reduction of corporate support staff in an effort to better align support with the needs of the operating units.

We are in the process of implementing this restructuring plan and we expect it to be completed by the end of 2012. We currently estimate that approximately 700 employee positions throughout the Company, including positions at both the management and support levels, will be eliminated. Voluntary separation arrangements were offered to many in certain levels of management.

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

During the third quarter of 2012, we recognized pre-tax charges of $44 million associated with these restructuring activities, $39 million of which related to employee severance and benefit costs. The remainder of the charge was primarily related to abandoned operating leases. We currently expect to incur additional restructuring charges in the fourth quarter of 2012, consisting of employee severance and benefits expenses and facility, lease and other related expenses, in the range of $20 million to $30 million. The additional restructuring charges are an estimate, and actual charges may vary materially based on various factors, including the number of employee terminations; facility, lease or other restructuring charges that are not yet estimable; and changes in management's objectives.

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.

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

During the third quarter of 2012, we recognized impairment charges aggregating $21 million, relating in large part to (i) the impairment of a note receivable from an entity that we invested in that is now being liquidated (see "*Equity in net losses of unconsolidated entities"* discussion below), (ii) the impairment of certain related technology assets due to our decision not to use or develop those assets and (iii) the impairment of an oil and gas well as a result of projected operating losses that caused us to write-down the carrying value of the oil and gas well to its estimated fair value. These charges are included in our "Other" operations in Note 8.

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.

During the second quarter of 2012, we recognized impairment charges of $34 million, relating primarily to two 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 8.

During the third quarter of 2011, we recognized impairment charges relating to two facilities in our medical waste services business, in addition to the two facilities impaired in the second quarter 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.

Income from Operations by Reportable Segment

The following table summarizes income from operations by reportable segment for the three- and nine-month periods ended September 30 (dollars in millions):

	T ee Mont s Ended Se tem e ,		e iod to e iod C ange		Nine Mont s Ended Se tem e ,		e iod to e iod C ange	
	1	11			1	11		
Reportable segments:								
Eastern	$ 142	$ 146	$ (4)	(2.7)%	$ 416	$ 407	$ 9	2.2%
Midwest	175	175	—	—	504	460	44	9.6
Southern	180	194	(14)	(7.2)	567	579	(12)	(2.1)
Western	129	154	(25)	(16.2)	405	436	(31)	(7.1)
Wheelabrator	43	57	(14)	(24.6)	62	112	(50)	(44.6)
Other	(22)	(40)	18	(45.0)	(94)	(75)	(19)	25.3
	647	686	(39)	(5.7)	1,860	1,919	(59)	(3.1)
Corporate and Other	(147)	(143)	(4)	2.8	(493)	(443)	(50)	11.3
Total	$ 500	$ 543	$ (43)	(7.9)%	$ 1,367	$ 1,476	$ (109)	(7.4)%

Reportable Segments — The most significant items affecting the results of operations of our four geographic Groups during the three and nine months ended September 30, 2012 as compared with the prior year periods are summarized below:

A decrease in recyclable commodity prices with an estimated impact on income from operations of approximately $60 million and $100 million for the three and nine months ended September 30, 2012, respectively;

Revenue growth from yield on our base business of approximately $91 million, noted particularly in our Midwest and Western Groups and, to a lesser extent, in our Southern Group. Our Eastern Group experienced favorable revenue growth from yield on its base business during the nine months ended September 30, 2012; however, revenue growth from yield declined slightly during the third quarter of 2012;

The accretive benefits of recent acquisitions, particularly in our Eastern Group;

Restructuring charges recognized during the third quarter of 2012;

Higher maintenance and repair costs of approximately $29 million during the nine months ended September 30, 2012; although the impact in our Eastern Group was principally during the first quarter of 2012;

An increase of $14 million in fuel costs during the nine months ended September 30, 2012, consisting of an increase of $18 million in the first quarter of 2012, offset to a small extent by a decrease of $4 million in the second quarter of 2012. This net increase in fuel costs during the first half of 2012 outpaced the related revenue growth from our fuel surcharge program. During the third quarter of 2012, fuel costs were approximately the same as during the third quarter of 2011; and

Lower salaries and wages due to the transfer of certain field customer service employees from our reportable segments to Corporate and Other. The decreases during the nine months ended September 30, 2012 were offset, in part, by higher salaries and wages during the first quarter of 2012 due to annual merit increases effective April 2011 for salaried and hourly employees.

The significant decrease in income from operations of our Wheelabrator Group for the three and nine months ended September 30, 2012 as compared with the respective prior year periods was driven largely 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; and (iii) increased international development costs.

Other significant items affecting the comparability of our Groups' results of operations for the three and nine months ended September 30, 2012 and 2011 are summarized below:

Eastern — The Eastern Group's revenues and income from operations for the three and nine months ended September 30, 2012 as compared with the prior year periods were favorably affected by 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. Further favorably affecting the Group's income from operations was (i) a decrease in landfill amortization expense, which was principally due to both a decline in rates relating to the addition of expansion airspace at one of our landfills in the third quarter of 2011 and a nonrecurring amortization expense adjustment recognized in the second quarter of 2011 at a separate landfill; and (ii) higher landfill site costs in the prior year for the collection and disposal of leachate, which was largely the result of significant rainfall events during the second and third quarters of 2011. These favorable impacts were offset, in part, by the recognition of a non-cash charge in June 2012 resulting from the partial withdrawal from an underfunded multiemployer pension plan in New England.

Midwest — The income from operations for our Midwest Group for the nine months ended September 30, 2012 as compared with the prior year period was driven in part by improvement in landfill special waste volumes experienced during the first quarter of 2012.

Southern — The Southern Group's income from operations was impacted by an improvement in landfill volumes, driven in part by our oilfield services business, and a $3 million increase in bad debt expense recognized during the quarter ended June 30, 2012 as a result of collection issues in Puerto Rico. The comparability of the Group's year-over-year results was further affected by a charge of $11 million during the nine months ended September 30, 2011 related to a litigation reserve. The litigation reserve was the result of a court judgment issued in a litigation matter related to our Southern Group; however, due to the timing of the judgment, the reserve was recorded after the general ledgers of our operating segments for the year 2010 were closed. As a result, the charge was initially recorded and reported in "Other" and reflected in our consolidated operating measures in the fourth quarter of 2010. In the first quarter of 2011, the charge was reversed out of "Other" and recorded in the appropriate reportable segment.

Western — The income from operations of our Western Group for the nine months ended September 30, 2012 was negatively affected by $6 million of additional operating expenses incurred as a result of a union labor dispute in Seattle.

Significant items affecting the comparability of the remaining components of our results of operations for the three and nine months ended September 30, 2012 and 2011 are summarized below:

Other — It is our policy to report adjustments that are recorded after the closing date of our reportable segment ledgers in "Other" when they are initially recorded. We then report these late adjustments in the appropriate reportable segment in the next reporting period, with a corresponding reversal out of "Other."

The favorable change in operating results during the three months ended September 30, 2012 as compared to the prior year period is largely due to a late favorable adjustment recorded in the third quarter of 2012 to reduce bonus expense for our reportable segments. The favorable change during the three months ended September 30, 2012 was offset, in part, by impairment charges associated with a note receivable from an entity that we invested in that is now being liquidated and an oil and gas well.

The unfavorable change in operating results during the nine months ended September 30, 2012 as compared with the prior year period is largely due to (i) impairment charges recognized during 2012 relating primarily to two facilities in our medical waste services business, a note receivable from an entity that we invested in that is now being liquidated and an oil and gas well; (ii) costs associated with our Waste Management Sustainability Services business, which includes both our historical national accounts customers and the customers acquired through Oakleaf, and (iii) the reversal in 2011 of expense adjustments related to our reportable segments that were initially reported in "Other" in the fourth quarter of 2010. These expense adjustments were reported in the applicable reportable segment in the first quarter of 2011. The most significant adjustment reversed out of "Other" in the first quarter of 2011 was $11 million of additional expense for litigation reserves in our Southern Group, as discussed above. The unfavorable change during the nine months ended September 30, 2012 was offset, in part, by the favorable effect of late adjustments recorded in the third quarter of 2012 to reduce bonus expense for our reportable segments.

Corporate and Other — The increase in expenses during the three and nine months ended September 30, 2012 is the result of cost increases attributable to (i) additional compensation expense due to transfers of certain field customer service employees to our Corporate sales organization; (ii) restructuring charges recognized during the third quarter of 2012; and (iii) headcount increases due to our sales and marketing initiatives and implementation of our company-wide initiatives focusing on procurement, operational and back-office efficiency. These increases were partially offset by (i) a reduction in bonus expense; (ii) a decrease in professional fees, primarily due to the discontinuation of consulting services and related fees incurred during 2011 associated with the start-up phase of our above-mentioned company-wide initiatives; and (iii) lower non-cash compensation expense attributable to our LTIP. Our year-over-year comparisons for the three and nine months ended September 30, 2012 were also affected by the benefits realized as a result of our July 2012 restructuring activities.

Renewable Energy Operations

Our current operations produce renewable energy through the waste-to-energy facilities that are managed by our Wheelabrator Group and our landfill gas-to-energy operations. We are actively seeking opportunities to enhance our existing renewable energy service offerings so that we can respond to the shifting demands of consumers and act as a leader in environmental stewardship.

We are disclosing the following supplemental information related to the operating results of our renewable energy operations for the three and nine months ended September 30, 2012 and 2011 (in millions) because we believe that it provides information about the significance of our current renewable energy operations, the profitability of these operations, and the costs we are incurring to develop these operations.

	T ee Mont s Ended Se tem e , 1				Nine Mont s Ended Se tem e , 1			
	W eela ato	Land ill Gas to En g (a)	G o t O o tunities( )	Total	W eela ato	Land ill Gas to En g (a)	G o t O o tunities( )	Total
Operating revenues (including intercompany)	$ 218	$ 40	$ —	$ 258	$ 631	$ 112	$ —	$ 743
Costs and expenses:								
Operating	133	16	1	150	440	47	3	490
Selling, general & administrative	23	1	1	25	75	3	3	81
Depreciation and amortization	18	7	—	25	52	19	—	71
Restructuring and unusual items	1	—	13	14	2	—	13	15
	175	24	15	214	569	69	19	657
Income (loss) from operations	$ 43	$ 16	$ (15)	$ 44	$ 62	$ 43	$ (19)	$ 86

	T ee Mont s Ended Se tem e , 11				Nine Mont s Ended Se tem e , 11			
	W eela ato	Land ill Gas to En g (a)	G o t O o tunities( )	Total	W eela ato	Land ill Gas to En g (a)	G o t O o tunities( )	Total
Operating revenues (including intercompany)	$ 228	$ 36	$ —	$ 264	$ 664	$ 105	$ —	$ 769
Costs and expenses:								
Operating	131	14	1	146	429	43	2	474
Selling, general & administrative	22	1	—	23	72	3	2	77
Depreciation and amortization	17	7	—	24	50	20	—	70
Restructuring and unusual items	1	—	—	1	1	—	—	1
	171	22	1	194	552	66	4	622
Income (loss) from operations	$ 57	$ 14	$ (1)	$ 70	$ 112	$ 39	$ (4)	$ 147

(a) Our landfill gas-to-energy business focuses on generating a renewable energy source from the methane that is produced as waste decomposes. The operating results include the revenues and expenses of landfill gas-to-energy plants that we own and operate, as well as revenues generated from the sale of landfill gas to third-party owner/operators. The operating results of our landfill gas-to-energy business are included within our geographic reportable segments and "Other."

(b) Includes businesses and entities we have acquired or invested in through our Organic Growth Group's business development efforts. These businesses include a landfill gas-to-LNG facility; landfill gas-to-diesel fuels technologies; organic waste streams-to-fuels technologies; and other engineered fuels technologies. The operating results of our Growth Opportunities are included within "Other" in our assessment of our income from operations by segment.

Interest Expense

Our interest expense was $123 million during the three months ended September 30, 2012, an increase of $5 million, or 4.2% from the comparable prior year period. For the nine months ended September 30, 2012, interest expense was $366 million compared with $358 million during the nine months ended September 30, 2011, an increase of $8 million, or 2.2%. The year-over-year increases in interest expense are attributable to higher debt balances. Our average debt balances for both the three- and nine-month periods ended September 30, 2012 are over 6% higher than our average debt balances in the prior year periods due to our use of debt to fund spending on acquisitions and investments.

The increase in interest expense is less significant than the increase in our debt balances due to interest expense reductions resulting from (i) a decrease in our weighted average borrowing rate that has been achieved by issuing new debt at much lower fixed interest rates than debt repaid upon scheduled maturities; and (ii) a decrease in the costs attributable to our revolving credit facility, which was refinanced in May 2011.

Equity in Net Losses of Unconsolidated Entities

Our "Equity in net losses of unconsolidated entities" is 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 5 and 13 to the Condensed Consolidated Financial Statements for more information related to these investments.

During the third quarter of 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

During the third quarter of 2012, we recognized an impairment charge of $14 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.

Provision for Income Taxes

We recorded a provision for income taxes of $125 million during the third quarter of 2012, representing an effective income tax rate of 36.1%, compared with a provision for income taxes of $136 million during the third quarter of 2011, representing an effective income tax rate of 32.3%. Our effective income tax rate for the nine months ended September 30, 2012 was 34.5% compared with 34.0% for the nine months ended September 30, 2011. The increase in our provision for income taxes when comparing the three months ended September 30, 2012 with the prior year is due primarily to the unfavorable impact of adjustments to our accruals and related deferred taxes due to the filing of our 2011 income tax returns and the tax implications of impairments of unconsolidated investments.

Our investments in low-income housing properties and the refined coal facility reduced our provision for income taxes by $11 million and $6 million, respectively, for the three months ended September 30, 2012 and by $27 million and $14 million, respectively, for the nine months ended September 30, 2012. These investments reduced our provision for income taxes by $9 million and $4 million, respectively, for the three months ended September 30, 2011 and by $27 million and $11 million, respectively, for the nine months ended September 30, 2011. Refer to Note 5 to the Condensed Consolidated Financial Statements for more information related to these investments.

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. At this time we do not anticipate the remaining tax attributes, when realized, to affect our overall provision for income taxes. While these tax 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.

Noncontrolling Interests

Net income attributable to noncontrolling interests was $9 million and $32 million for the three and nine months ended September 30, 2012 and $13 million and $36 million for the three and nine months ended September 30, 2011, respectively. 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 Group. Refer to Note 13 to the Condensed Consolidated Financial Statements for information related to the consolidation of these variable interest entities.

Li uidit and Ca ital esou ces

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 September 30, 2012 and December 31, 2011 (dollars in millions):

	Se tem e , 1	Decem e 1, 11
Cash and cash equivalents	$ 398	$ 258
Restricted trust and escrow accounts:		
Final capping, closure, post-closure and environmental remediation funds	$ 121	$ 123
Tax-exempt bond funds	1	14
Other	15	15
Total restricted trust and escrow accounts	$ 137	$ 152
Debt:		
Current portion	$ 826	$ 631
Long-term portion	9,166	9,125
Total debt	$ 9,992	$ 9,756
Increase in carrying value of debt due to hedge accounting for interest rate swaps	$ 85	$ 102

As of September 30, 2012, we had $708 million of debt maturing within the next twelve months, including U.S. $117 million of advances outstanding under our Canadian credit facility, $400 million of 6.375% senior notes that mature in November 2012 and $141 million of tax-exempt bonds. We also had $663 million of tax-exempt borrowings subject to repricing within the next twelve months. We have classified $545 million of these tax-exempt borrowings as long-term based on our intent and ability to fund any failed remarketings with available capacity under our revolving credit facility.

Summary of Cash Flow Activity

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

	Nine Mont s Ended Se tem e ,	
	1	11
Net cash provided by operating activities	$ 1,718	$ 1,737
Net cash used in investing activities	$ (1,361)	$ (1,535)
Net cash used in financing activities	$ (219)	$ (459)

Net Cash Provided by Operating Activities — We generated $1,718 million of cash flows from operating activities during the nine-month period ended September 30, 2012 compared with $1,737 million during the nine-month period ended September 30, 2011. The $19 million decrease was primarily driven by the following:

Decrease in earnings — Our income from operations, excluding depreciation and amortization, decreased by $73 million on a year-over-year basis. Included in the $73 million decrease are the following offsetting charges and expense reversals that, when combined, had very little impact on the overall decrease in our net cash provided by operating activities:

Higher non-cash charges in 2012 related to impairments and restructuring costs of $49 million and $36 million, respectively;

Lower non-cash charges attributable to equity-based compensation expense and interest accretion of $17 million and $19 million, respectively; and

Lower year-to-date bonus expense in 2012 when compared with 2011.

Forward-starting swaps — During the first quarter of 2011 and the third quarter of 2012, forward-starting interest rate swaps associated with anticipated fixed-rate debt issuances were terminated contemporaneously with the issuance of senior notes 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 "Other liabilities" within "Net cash provided by operating activities" in the Condensed Consolidated Statement of Cash Flows; and

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; partially offset by,

Decreased income tax payments — Cash paid for income taxes, net of excess tax benefits associated with equity-based transactions, was approximately $70 million lower on a year-over-year basis; however, we currently expect our full year cash tax payments to increase 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; and

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 Condensed Consolidated Statement of Cash Flows.

Net Cash Used in Investing Activities — The most significant items included in our investing cash flows for the nine-month periods ended September 30, 2012 and 2011 are summarized below:

Capital expenditures — We used $1,132 million during the first nine months of 2012 for capital expenditures compared with $909 million in the first nine months of 2011, an increase of $223 million. The increase in capital expenditures in 2012 is a result of our increased spending on compressed natural gas vehicles, related fueling infrastructure and growth initiatives. The comparison 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.

Acquisitions — Our spending on acquisitions was $178 million in the first nine months of 2012 compared with $645 million in the first nine months of 2011. In 2012, our acquisitions consisted primarily of interests in oil and gas producing properties through two transactions, for which we paid $94 million. The remainder of our 2012 acquisitions related to collection and recycling operations. In 2011, we paid $432 million, net of cash received of $4 million and inclusive of certain other adjustments, to acquire Oakleaf, which continues to provide outsourced waste and recycling services.

Investments in unconsolidated entities — We made $61 million and $92 million of cash investments in unconsolidated entities during the first nine months of 2012 and 2011, respectively. The investments in 2012 were related to furthering our goal of growing into new markets, while the investments made in 2011 were primarily related to a $48 million payment made to acquire a noncontrolling interest in a limited liability company that generates refined coal tax credits and $43 million of investments in greener technologies related to our growth initiatives.

Other — Net cash used by our other investing activities of $33 million during the first nine months of 2012 was primarily associated with the funding of notes receivable associated with our Wheelabrator Group's investments in Europe. Net cash provided by our other investing activities of $15 million during the first nine months of 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 — During the nine months ended September 30, 2012, net cash used in financing activities was $219 million compared with $459 million during the comparable prior year period. The most significant items affecting the comparison of our financing cash flows for the nine-month periods ended September 30, 2012 and 2011 are summarized below:

Debt borrowings and repayments — The following summarizes our cash borrowings and debt repayments during each period (in millions):

	Nine Mont s Ended Se tem e ,	
	1	11
Borrowings:		
Revolving credit facility	$ —	$ 100
Canadian credit facility	115	—
Senior notes	495	893
Capital leases and other debt	75	8
	$ 685	$ 1,001
Repayments:		
Revolving credit facility	$ (150)	$ (100)
Canadian credit facility	(142)	(77)
Senior notes	—	(147)
Tax-exempt bonds	(86)	(25)
Tax-exempt project bonds	—	(30)
Capital leases and other debt	(95)	(46)
	$ (473)	$ (425)
Net borrowings	$ 212	$ 576

Refer to Note 3 to the Condensed Consolidated Financial Statements for additional information related to our debt borrowings and repayments.

Dividend payments and share repurchases — We paid $493 million in cash dividends in the first nine months of 2012 compared with $481 million in the first nine months of 2011. The increase in dividend payments is due to our quarterly per share dividends increasing from $0.34 in 2011 to $0.355 in 2012, partially offset by a reduction in the number of outstanding shares as a result of our share repurchase program in 2011.

We repurchased 16.4 million shares of our common stock for $546 million during the first nine months of 2011, of which approximately $18 million was paid in October 2011. There were no share repurchases during the first nine months of 2012.

Other — Net cash provided by our other financing activities was $44 million during the first nine months of 2012 compared with net cash used of $43 million during the first nine months of 2011 (including $7 million of financing costs paid to amend and restate our $2.0 billion revolving credit facility). The remaining use of cash in 2011 and the source of cash in 2012 were driven by changes in our accrued liabilities for checks written in excess of related cash balances due to the timing of cash deposits or payments.

Liquidity Impacts of Income Tax Items

Recent Legislation — The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act, signed into law on December 17, 2010, included an extension of the bonus depreciation allowance through the end of 2012 and increased the amount of qualifying capital expenditures that can be depreciated immediately from 50% to 100%. The 100% depreciation deduction applied to qualifying property placed in service from September 8, 2010 through December 31, 2011. The depreciation deduction for qualifying property placed in service in 2012 has been reduced to 50%. 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 2011 decreased our full year 2011 cash taxes by approximately $190 million and, based on our current forecast of 2012 capital expenditures, we estimate a reduction in our full year 2012 cash taxes of approximately $90 million related to qualifying property additions in 2012. 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, our full year 2011 cash taxes benefitted by approximately $139 million and the deductions taken in previous years from acceleration programs will more than offset the $90 million benefit expected to be received from accelerated depreciation deductions in 2012.

In addition, as a result of the application of the depreciation safe harbor provisions of the Income Tax Regulations, our estimated income tax payments during the first nine months of 2012 were lower than the estimated income tax payments made during the first nine months of 2011. However, we currently expect our full year tax payments to be approximately $100 million higher than the full year tax payments made in 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 Condensed Consolidated Balance Sheet because the Company generally does not anticipate that settlement of the liabilities will require payment of cash within the next twelve months. We are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but do not believe that the ultimate settlement of our obligations will materially affect our liquidity. We anticipate that approximately $8 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.

O alance S eet A angements

We have financial interests in unconsolidated variable interest entities as discussed in Note 13 to the Condensed Consolidated Financial Statements. Additionally, we are party to guarantee arrangements with unconsolidated entities as discussed in the *Guarantees* section of Note 7 to the Condensed Consolidated Financial Statements. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2012, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

Seasonal T ends

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 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 Southern Group, can actually increase our revenues in the areas affected. While weather-related and other "one-time" occurrences can boost revenues through additional work, 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.

In lation

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, a portion 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 . *Quantitative and Qualitative Disclosures About Market Risk.*

Information about market risks as of September 30, 2012, does not differ materially from that discussed under Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 4. *Controls and Procedures.*

E cti eness o Cont ols and ocedu es

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 September 30, 2012 (the end of the period covered by this Quarterly Report on Form 10-Q).

C anges in Inte nal Cont ols o e Financial e o ting

Management, together with our principal executive and financial officers, evaluated the changes in our internal control over financial reporting during the quarter ended September 30, 2012. We determined that there were no changes in our internal control over financial reporting during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

A T II.

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

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

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

There have been no material changes from risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011 in response to Item 1A to Part I of Form 10-K.

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 quarterly report.

Item . ***Exhibits.***

E i it No.		Desc i tion
4.1	—	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 the Company's 2.90% Senior Notes due 2022.
4.2	—	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 the Company's 2.90% Senior Notes due 2022.
10.1	—	Separation Agreement between the Company and Grace Cowan dated July 25, 2012.
10.2	—	Separation Agreement between the Company and Brett W. Frazier dated August 17, 2012
10.3	—	Separation Agreement between Waste Management Holdings, Inc. and Cherie C. Rice dated October 12, 2012.
31.1	—	Certification Pursuant to Rules 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 Rules 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 Label Linkbase Document.
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNAT ES

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

WASTE MANAGEMENT, INC.

By: /s/ JAMES C. FISH, JR.

James C. Fish, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

WASTE MANAGEMENT, INC.

By: /s/ DON P. CARPENTER

Don P. Carpenter
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: October 31, 2012

WASTE MANAGEMENT, INC.
O ice s Ce ti icate Deli e ed u suant to
Section 1 o t e Indentu e dated as o Se tem e 1 , 1

The undersigned, the Vice President and Treasurer, and the Corporate Secretary of Waste Management, Inc. (the "Company"), hereby certify that:

1. This Certificate is delivered to The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee (the "Trustee"), pursuant to Sections 102 and 301 of the Indenture dated as of September 10, 1997 between the Company, formerly known as USA Waste Services, Inc., and the Trustee in connection with the Company Order dated September 12, 2012 (the "Order") for the authentication and delivery by the Trustee of $500,000,000 aggregate principal amount of 2.90% Notes due 2022 (the "Notes").

2. The undersigned have read Sections 102, 103, 301 and 303 of the Indenture and the definitions in the Indenture relating thereto.

3. The statements made herein are based either upon the personal knowledge of the persons making this Certificate or on information, data and reports furnished to such persons by the officers, counsel, department heads or employees of the Company who have knowledge of the facts involved.

4. The undersigned have examined the Order, and they have examined the covenants, conditions and provisions of the Indenture relating thereto.

5. In the opinion of the persons making this Certificate, they have made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not all conditions provided for in the Indenture with respect to the Order have been complied with.

6. All conditions precedent provided in the Indenture to the authentication by the Trustee of $500,000,000 aggregate principal amount of the Notes have been complied with, and such Notes may be delivered in accordance with the Order as provided in the Indenture.

7. The terms of the Notes (including the Form of Note) as set forth in Annex A to this Officers' Certificate have been approved by officers of the Company as duly authorized by resolutions of the Board of Directors of the Company as of August 20, 2009 and such resolutions, copies of which are attached hereto as Annex B, are in full force and effect as of the date hereof.

[*signature page follows*]

WASTE MANAGEMENT, INC.
Officers' Certificate Delivered Pursuant to
Section 301 of the Indenture dated as of September 10, 1997

IN WITNESS WHEREOF, the undersigned has hereunto executed as of the date first written above.

/s/ Devina A. Rankin

Devina A. Rankin
Vice President and Treasurer

/s/ Linda J. Smith

Linda J. Smith
Corporate Secretary

Annex A

Te ms o t e Notes

Pursuant to authority granted by the Board of Directors of the Company on August 20, 2009 and the Sole Director of Waste Management Holdings, Inc. on September 4, 2012, the Company has approved the establishment, issuance, execution and delivery of a new series of Securities (as defined in the Indenture) to be issued under the Indenture dated as of September 10, 1997 (the "Indenture"), between the Company, formerly known as USA Waste Services, Inc., and The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee (the "Trustee"), the terms of which are set forth below. Capitalized terms used but not defined herein are used herein as defined in the Indenture.

(1) The title of the series of Securities shall be "2.90% Senior Notes due 2022" (the "Notes").

(2) The Notes shall be general unsecured, senior obligations of the Company.

(3) The initial aggregate principal amount of the Notes that may be authenticated and delivered under the Indenture shall be $500,000,000 (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 304, 305, 306, 906 or 1107 of the Indenture); provided, however, that the authorized aggregate principal amount of such series may be increased before or after the issuance of any Notes of such series by a Board Resolution (or action pursuant to a Board Resolution) to such effect.

(4) The principal amount of each Note shall be payable on September 15, 2022.

(5) Each Note shall bear interest from September 12, 2012 at the fixed rate of 2.90% per annum; the Interest Payment Dates on which such interest shall be payable shall be March 15 and September 15, of each year, commencing March 15, 2013, until maturity unless such date falls on a day that is not a Business Day, in which case, such payment shall be made on the next day that is a Business Day. The Regular Record Date for the determination of Holders to whom interest is payable shall be March 1 or September 1, respectively, immediately preceding such date, as the case may be.

(6) If a "Change of Control Triggering Event" (as defined in the Notes) occurs, each Holder of the Notes may require the Company 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, on the terms and subject to the conditions set forth in the Notes.

(7) The Notes are to be issued as Registered Securities only. Each Note is to be issued as a book-entry note ("Book-Entry Note") but in certain circumstances may be represented by Notes in definitive form. The Book-Entry Notes shall be issued, in whole or in part, in the form of one or more Notes in global form as contemplated by Section 203 of the Indenture. The Depositary with respect to the Book-Entry Notes shall be The Depository Trust Company, New York, New York.

(8) Payments of principal of, premium, if any, and interest due on the Notes representing Book-Entry Notes on any Interest Payment Date or at maturity will be made available to the Trustee by 11:00 a.m., New York City time, on such date, unless such date falls on a day which is not a Business Day, in which case such payments will be made available to the Trustee by 11:00 a.m., New York City time, on the next Business Day. As soon as possible thereafter, the Trustee will make such payments to the Depositary.

(9) Before June 15, 2022, the Notes will be redeemable and repayable, at the option of the Company, at any time in whole, or from time to time in part, at a Redemption Price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (at the rate in effect on the date of calculation of the Redemption Price) thereon (exclusive of interest accrued to the Redemption Date (as defined in the Notes)) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield (as defined in the Notes) plus 20 basis points; plus, in either case, accrued interest to the Redemption Date. On or after June 15, 2022, the Notes will be redeemable and repayable, at the option of the Company, at any time in whole, or from time to time in part, at a Redemption Price equal to 100% of the principal amount of the Notes to be redeemed plus accrued interest on the Notes to be redeemed to the Redemption Date.

(10) The Company shall have no obligation to redeem, purchase or repay the Notes pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a Holder thereof.

(11) The Notes will be subject to defeasance and discharge as contemplated by Section 1302 of the Indenture and to covenant defeasance under Section 1303 of the Indenture.

(12) The Notes shall be entitled to the benefit of the covenants contained in Sections 1008 and 1009 of the Indenture.

(13) The Bank of New York Mellon Trust Company, N.A. shall serve initially as Security Registrar for the Notes.

(14) The Notes shall be substantially in the form of Exhibit A hereto.

(15) The Notes will be fully and unconditionally guaranteed on a senior basis by the Company's wholly owned subsidiary, Waste Management Holdings, Inc., pursuant to the terms and conditions of a Guarantee Agreement dated September 12, 2012 (the "Guarantee"). The amount of the Guarantee will be limited to the extent required under applicable fraudulent conveyance laws to cause the Guarantee to be enforceable. The terms and conditions of the Guarantee shall continue in full force and effect for the benefit of holders of the Notes until release thereof as set forth in Section 6 of the Guarantee.

E I IT A
TO
TE MS OF NOTES
(Fo m o Note)

BOOK-ENTRY SECURITY

THIS SECURITY IS A BOOK-ENTRY SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN SUCH LIMITED CIRCUMSTANCES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY (AS DEFINED BELOW) OR ITS AGENT FOR REGISTRATION FOR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

RGN-1

Principal Amount

WASTE MANAGEMENT, INC. U.S. $500,000,000, which may be decreased by the Schedule of Exchanges of Definitive Security attached hereto
2.90% SENIOR NOTES DUE 2022

CUSIP 94106LAY5

WASTE MANAGEMENT, INC., a Delaware corporation (the "Company," which term includes any successors under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, at the office or agency of the Company, the principal sum of Five Hundred Million ($500,000,000) U.S. dollars, or such lesser principal sum as is shown on the attached Schedule of Exchanges of Definitive Security, on September 15, 2022 in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest at an annual rate of 2.90% payable on March 15 and September 15 of each year, to the person in whose name this

Security is registered at the close of business on the record date for such interest, which shall be the preceding March 1 or September 1, respectively, payable commencing March 15, 2013, with interest consisting of interest accrued from September 12, 2012.

Reference is made to the further provisions of this Security set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

The statements in the legends set forth above are an integral part of the terms of this Security and by acceptance hereof the Holder of this Security agrees to be subject to, and bound by, the terms and provisions set forth in each such legend.

This Security is issued in respect of a series of Securities of an initial aggregate of U.S. $500,000,000 in principal amount designated as the 2.90% Senior Notes due 2022 of the Company and is governed by the Indenture dated as of September 10, 1997, duly executed and delivered by the Company, formerly known as USA Waste Services, Inc., to The Bank of New York Mellon Trust Company N.A. (the current successor to Texas Commerce Bank National Association) as trustee (the "Trustee"), as supplemented by Board Resolutions (as defined in the Indenture) (such Indenture and Board Resolutions, collectively, the "Indenture"). The terms of the Indenture are incorporated herein by reference. This Security shall in all respects be entitled to the same benefits as definitive Securities under the Indenture.

If and to the extent that any provision of the Indenture limits, qualifies or conflicts with any other provision of the Indenture that is required to be included in the Indenture or is deemed applicable to the Indenture by virtue of the provisions of the Trust Indenture Act of 1939, as amended, such required provision shall control.

The Company hereby irrevocably undertakes to the Holder hereof to exchange this Security in accordance with the terms of the Indenture without charge.

This Security shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been manually signed by the Trustee under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: September 12, 2012

WASTE MANAGEMENT, INC.,
a Delaware corporation

By: ______________________________

Devina A. Rankin
Vice President and Treasurer

Attest:

By: ______________________________

Linda J. Smith
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Date of Authentication: September 12, 2012

The Bank of New York Mellon Trust
Company N.A., as Trustee

By: ______________________________

Julie Hoffman-Ramos
Vice President

REVERSE OF BOOK-ENTRY SECURITY

WASTE MANAGEMENT, INC.

2.90% SENIOR NOTES DUE 2022

This Security is one of a duly authorized issue of unsecured debentures, notes or other evidences of indebtedness of the Company (the "Debt Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to the Indenture, to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Debt Securities. The Debt Securities may be issued in one or more series, which different series may be issued in various aggregate principal amounts, may mature at different times, may bear interest (if any) at different rates, may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Security is one of a series designated as the 2.90% Senior Notes due 2022 of the Company, in initial aggregate principal amount of $500,000,000 (the "Securities").

1. *Interest.*

The Company promises to pay interest on the principal amount of this Security at the rate of 2.90% per annum.

The Company will pay interest semi-annually on March 15 and September 15 of each year (each an "Interest Payment Date"), commencing March 15, 2013. Interest on the Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid on the Securities, from September 12, 2012. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Company shall pay interest (including post-petition interest in any proceeding under any applicable bankruptcy laws) on overdue installments of interest (without regard to any applicable grace period) and on overdue principal and premium, if any, from time to time on demand at the rate of 2.90% per annum, in each case to the extent lawful.

2. *Method of Payment.*

The Company shall pay interest on the Securities (except Defaulted Interest) to the persons who are the registered Holders at the close of business on the Regular Record Date immediately preceding the Interest Payment Date. Any such interest not so punctually paid or duly provided for ("Defaulted Interest") may be paid to the persons who are registered Holders at the close of business on a Special Record Date for the payment of such Defaulted Interest, or in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may then be listed if such manner of payment shall be deemed practicable by the Trustee, as more fully provided in the Indenture. Except as provided below, the Company shall pay principal and interest in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts ("U.S. Legal Tender"). Payments in respect of a Book-Entry Security (including principal, premium, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by the Depository. Payments in respect of Securities in definitive form (including principal, premium, if any, and interest) will be made at the office or agency of the Company maintained for such purpose within the Borough of Manhattan, the City of New York, which initially will be at the corporate trust office of The Bank of New York Mellon, located at 101 Barclay Street, Floor 21W, New York, New York, 10286 or at the option of the Company, payment of interest may be made by check mailed to the Holders on the Regular Record Date or on the Special Record Date at their addresses set forth in the Security Register of Holders.

3. *Paying Agent and Registrar.*

Initially, The Bank of New York Mellon Trust Company, N.A. will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar at any time upon notice to the Trustee and the Holders. The Company or any of its Subsidiaries may, subject to certain exceptions, act as Paying Agent, Registrar or co-Registrar.

4. *Indenture.*

This Security is one of a duly authorized issue of Debt Securities of the Company issued and to be issued in one or more series under the Indenture.

Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The terms of the Securities include those stated in the Indenture and all indentures supplemental thereto, those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, as in effect on the date of the Indenture, and those terms stated in the Officers' Certificate to the Trustee, duly authorized by resolutions of the Board of Directors of the Company on August 20, 2009 (the "Resolutions") and the written consent of the Sole Director of Waste Management Holdings, Inc. on September 4, 2012 (the "Consent"). The Securities are subject to all such terms, and Holders of Securities are referred to the Indenture, all indentures supplemental thereto, said Act, said Resolutions and said Consent and Officers' Certificate for a statement of them. The Securities of this series are general unsecured obligations of the Company limited with an initial aggregate principal amount of $500,000,000.

5. *Redemption.*

Before June 15, 2022, the Securities will be redeemable and repayable, at the option of the Company, at any time in whole, or from time to time in part, at a Redemption Price (the "Make-Whole Price") equal to the greater of: (i) 100% of the principal amount of the Securities to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest (at the rate in effect on the date of calculation of the Redemption Price) on the Securities (exclusive of interest accrued to the Redemption Date) discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus 20 basis points; plus, in either case, accrued interest to the Redemption Date.

On or after June 15, 2022, the Securities will be redeemable and repayable, at the option of the Company, at any time in whole, or from time to time in part, at a Redemption Price equal to 100% of the principal amount of the Securities to be redeemed plus accrued interest on the Securities to be redeemed to the Redemption Date.

Securities called for redemption become due on the Redemption Date. Notices of redemption will be mailed at least 30 but not more than 60 days before the Redemption Date to each holder of record of the Securities to be redeemed at its registered address. The notice of redemption for the Securities will state, among other things, the amount of Securities to be redeemed, the Redemption Date, the Redemption Price or, if not ascertainable, the manner of determining the Make-Whole Price and the place(s) that payment will be made upon presentation and surrender of Securities to be redeemed. Unless the Company defaults in payment of the Make-Whole Price, interest will cease to accrue on any Securities that have been called for redemption at the Redemption Date. If less than all the Securities are redeemed at any time, the Trustee will select the Securities to be redeemed on a pro rata basis or by any other method the Trustee deems fair and appropriate.

For purposes of determining the Make-Whole Price, the following definitions are applicable:

"Treasury Yield" means, with respect to any Redemption Date applicable to the Securities, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third Business Day immediately preceding such Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Securities that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

"Independent Investment Banker" means any of Barclays Capital Inc., BNP Paribas Securities Corp. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (and their respective successors), or, if all such firms are unwilling or unable to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee and reasonably acceptable to the Company.

"Comparable Treasury Price" means, with respect to any Redemption Date, (i) the average of the Reference Treasury Dealer Quotations obtained by the Trustee for the Redemption Date, after excluding the highest and lowest of all Reference Treasury Dealer Quotations obtained, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained by the Trustee.

"Reference Treasury Dealer" means (i) each of Barclays Capital Inc., BNP Paribas Securities Corp. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (and their respective successors), unless any of them ceases to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), in which case the Company will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date for the Securities, an average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue for the Securities (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

Except as set forth above, the Securities will not be redeemable prior to their Stated Maturity and will not be entitled to the benefit of any sinking fund.

The Securities may be redeemed in part in a minimum principal amount of $2,000, or any integral multiple of $1,000 in excess thereof.

Any such redemption will also comply with Article Eleven of the Indenture.

6. *Change of Control Offer.*

If a Change of Control Triggering Event occurs, unless the Company has exercised its option to redeem the Securities as described in Section 5, the Company shall make an offer (a "Change of Control Offer") to each Holder of the Securities to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that Holder's Securities on the terms set forth herein. In a Change of Control Offer, the Company shall offer payment in cash equal to 101% of the aggregate principal amount of Securities repurchased (a "Change of Control Payment"), plus accrued and unpaid interest, if any, on the Securities repurchased to the date of repurchase, subject to the right of holders of record on the applicable record date to receive interest due on the next Interest Payment Date.

Within 30 days following any Change of Control Triggering Event or, at the Company's option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, the Company shall mail a notice to Holders of the Securities describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offer to repurchase such Securities on the date specified in the applicable notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (a "Change of Control Payment Date"). The notice may, if mailed prior to the date of consummation of the Change of Control, state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring on or prior to the applicable Change of Control Payment Date.

Upon the Change of Control Payment Date, the Company shall, to the extent lawful:

- accept for payment all Securities or portions of Securities properly tendered and not withdrawn pursuant to the Change of Control Offer;
- deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Securities or portions of Securities properly tendered; and

- deliver or cause to be delivered to the Trustee the Securities properly accepted together with an Officers' Certificate stating the aggregate principal amount of Securities or portions of Securities being repurchased.

The Company need not make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Company and the third party repurchases all Securities properly tendered and not withdrawn under its offer. In addition, the Company shall not repurchase any Securities if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under the Indenture, other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

The Company will comply with the applicable requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Securities as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control Offer provisions of this Security, the Company may comply with those securities laws and regulations and, if so, will not be deemed to have breached its obligations under the Change of Control Offer provisions of this Security by virtue of any such conflict.

For purposes of the Change of Control Offer provisions of the Securities, the following terms are applicable:

"Change of Control" means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the Company's assets and the assets of its Subsidiaries, taken as a whole, to any person, other than the Company or one of its Subsidiaries; (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding Voting Stock of the Company or other Voting Stock into which the Company's Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (3) the Company consolidates with, or merges with or into, any person, or any person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or the Voting Stock of such other person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Voting Stock of the Company outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person or any direct or indirect parent company of the surviving person, measured by voting power rather than number of shares, immediately after giving effect to such transaction; (4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors; or (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

Notwithstanding the preceding, a transaction will not be deemed to involve a Change of Control under clause (2) above if (i) the Company becomes a direct or indirect wholly-owned subsidiary of a holding company and (ii)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of Voting Stock of the Company immediately prior to that transaction or (B) immediately following that transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company. The term "person," as used in this definition, has the meaning given thereto in Section 13(d)(3) of the Exchange Act.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Event.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who (1) was a member of such Board of Directors on the date the Securities were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the Company's proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

"Fitch" means Fitch Inc. and its successors.

"Investment Grade Rating" means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any replacement Rating Agency or Rating Agencies selected by the Company.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Rating Agencies" means (1) each of Fitch, Moody's and S&P and (2) if any of Fitch, Moody's or S&P ceases to rate the Securities or fails to make a rating of the Securities publicly available for reasons outside of the Company's control, a "nationally recognized statistical rating organization" within the meaning of Section 3(a)(62) of the Exchange Act selected by the Company (as certified by a resolution of our Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or all of them, as the case may be.

"Rating Event" means the rating on the Securities is lowered by at least two of the three Rating Agencies and the Securities are rated below an Investment Grade Rating by at least two of the three Rating Agencies, in any case on any day during the period (which period will be extended so long as the rating of the Securities is under publicly announced consideration for a possible downgrade by any of the rating agencies) commencing 60 days prior to the first public notice of the occurrence of a Change of Control or the Company's intention to effect a Change of Control and ending 60 days following consummation of such Change of Control.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"Voting Stock" means, with respect to any specified "person" (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

7. *Denominations; Transfer; Exchange.*

The Securities are issued in registered form, without coupons, in a minimum denomination of $2,000 and integral multiples of $1,000 in excess thereof. A Holder may register the transfer of, or exchange, Securities in accordance with the Indenture. The Securities Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

8. *Person Deemed Owners.*

The registered Holder of a Security may be treated as the owner of it for all purposes.

9. *Amendment; Supplement; Waiver.*

Subject to certain exceptions, the Indenture may be amended or supplemented, and any existing Event of Default or compliance with any provision may be waived, with the consent of the Holders of a majority in principal amount of the Outstanding Securities of each series affected. Without consent of any Holder, the parties thereto may amend or supplement the Indenture or the Securities to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not adversely affect the interests of any Holder of a Security. Any such consent or waiver by the Holder of this Security (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Security and any Securities which may be issued in exchange or substitution herefor, irrespective of whether or not any notation thereof is made upon this Security or such other Securities.

10. *Defaults and Remedies.*

If an Event of Default with respect to the Securities occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Securities then Outstanding may declare the principal amount of all the Securities to be due and payable immediately in the manner and with the effect provided in the Indenture. Notwithstanding the preceding sentence, however, if at any time after such a declaration of acceleration has been made and before judgment or decree for payment of the money due has been obtained by the Trustee as provided in the Indenture, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Company and to the Trustee, may rescind and annul such declaration and its consequences if (1) the Company has paid or deposited with the Trustee a sum sufficient to pay (A) all overdue interest on all Securities, (B) the principal of (and premium, if any, on) any Securities which has become due otherwise than by such declaration of acceleration and any interest thereon at the rate prescribed therefor herein, (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate prescribed therefor herein, and (D) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and (2) all Events of Default under the Indenture with respect to the Securities, other than the nonpayment of the principal of Securities which has become due solely by such declaration acceleration, shall have been cured or shall have been waived. No such rescission shall affect any subsequent Event of Default or shall impair any right consequent thereon. Holders of Securities may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Securities then outstanding may direct the Trustee in its exercise of any trust or power.

11. *Trustee Dealings with Company.*

The Trustee under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company and its Affiliates and any subsidiary of the Company's Affiliates, and may otherwise deal with the Company and its Affiliates as if it were not the Trustee.

12. *Authentication.*

This Security shall not be valid until the Trustee or authenticating agent signs the certificate of authentication on the other side of this Security.

13. *Abbreviations and Defined Terms.*

Customary abbreviations may be used in the name of a Holder of a Security or an assignee, such as: TEN COM (tenant in common), TEN ENT (tenants by the entireties), JT TEN (joint tenants with right of survivorship and not as tenants in common), CUST (Custodian), and U/G/M/A (Uniform Gifts to Minors Act).

14. *CUSIP Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders of the Securities. No representation is made as to the accuracy of such number as printed on the Securities and reliance may be placed only on the other identification numbers printed hereon.

15. *Absolute Obligation.*

No reference herein to the Indenture and no provision of this Security or the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on this Security in the manner, at the respective times, at the rate and in the coin or currency herein prescribed.

16. *No Recourse.*

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any Security, or because of any indebtedness evidenced thereby, shall be had against any incorporator, past, present or future stockholder, officer or director, as such of the Company or of any successor, either directly or through the Company or of any successor, either directly or through the Company or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Security by the Holder and as part of the consideration for the issue of the Security.

17. *Governing Law.*

This Security shall be construed in accordance with and governed by the laws of the State of New York.

18. *Guarantee.*

The Securities will be fully and unconditionally guaranteed on a senior basis by the Company's wholly owned subsidiary, Waste Management Holdings, Inc., pursuant to the terms and conditions of a Guarantee Agreement dated September 12, 2012 (the "Guarantee"). The amount of the Guarantee will be limited to the extent required under applicable fraudulent conveyance laws to cause the Guarantee to be enforceable. The terms and conditions of the Guarantee shall continue in full force and effect for the benefit of holders of the Securities until release thereof as set forth in Section 6 of the Guarantee.

SCHEDULE OF EXCHANGES OF DEFINITIVE SECURITY

The following exchanges of a part of this Book-Entry Security for definitive Securities have been made:

Date o E c ange	Amount o dec ease in inci al Amount o t is oo Ent Secu it	Amount o inc ease in inci al Amount o t is oo Ent Secu it	inci al Amount o t is oo Ent Secu it llo ing suc dec ease (o inc ease)	Signatu e o aut o i ed o ce o T ustee o Secu it Custodian

Annex B

esolutions o t e oa d o Di ecto s
o Waste Management, Inc.

W E EAS, on September 22, 2006, Waste Management, Inc. (the "Company") filed with the Securities Exchange Commission (the "SEC") an automatic shelf registration statement on Form S-3, File No. 333-137526 (the "Automatic Shelf"), which registered the offer and sale by the Company from time to time of common stock; senior and subordinated debt securities; preferred stock; warrants; units; and guarantees by Waste Management Holdings, Inc., a wholly-owned subsidiary of the Company ("WMHI"), with respect to debt securities, in one or more classes or series in amounts as may be determined at the time of any offering; and

W E EAS, pursuant to rules and regulations promulgated by SEC, the Automatic Shelf expires, by its terms, on September 22, 2009, three years after the effective date of the Automatic Shelf; and

W E EAS, the Company desires, and finds it in the best interests of the Company, to file a new automatic shelf registration statement on Form S-3 in order to facilitate any future offerings of securities by the Company or any selling security holders.

NOW, T E EFO E, E IT ESOL ED, that the Company is hereby authorized to prepare and file with the SEC an automatic shelf registration statement on Form S-3 (the "New Automatic Shelf"), pursuant to the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), which New Automatic Shelf may cover, among other things, unsecured senior or subordinated debentures, notes or other evidences of indebtedness of the Company (collectively "Debt Securities"); shares of common stock, par value $0.01 per share, of the Company (the "Common Stock"); warrants to purchase shares of Common Stock; shares of preferred stock in such series with such designations, powers, preferences and relative and other special rights and qualifications, limitations and restrictions as the Board of Directors may from time to time authorize; guarantees of securities by Waste Management Holdings, Inc., a wholly-owned subsidiary of the Company; and any units consisting of one or more of the foregoing (the Debt Securities, Common Stock, warrants, preferred stock, guarantees and units collectively referred to herein as the "Securities"), to be issued from time to time;

ESOL ED F T E , that the proper officers (as established pursuant to these resolutions) be, and they hereby are, authorized, in their sole and absolute discretion, subject to any limitations set forth in these resolutions, to cause the Company to offer and sell up to an aggregate of $3,000,000,000 of Securities without further approval of the Board of Directors;

ESOL ED F T E , that the proper officers and the authorized employees (as established pursuant to these resolutions) be, and each of them hereby is, authorized, in the name and on behalf of the Company, to execute and cause to be filed with the SEC any and all amendments (including, without limitation, post-effective amendments) or supplements to the New Automatic Shelf and any prospectus included therein and any additional documents which such officer or employee may deem necessary or desirable with respect to the registration and offering of the Securities, and such amendments, supplements, registration statements and documents to be in such form as the officer or employee executing the same may approve, as conclusively evidenced by his execution thereof;

ESOL ED F T E, that the General Counsel of the Company be, and he hereby is, designated and appointed the agent for service of process on the Company under the Securities Act in connection with the New Automatic Shelf and any and all amendments and supplements thereto, with all powers incident to such appointment;

ESOL ED F T E, that the proper officers and authorized employees be and hereby are authorized and directed in the name and on behalf of the Company to take any and all action which they may deem necessary or advisable in order to effect the registration or qualification of all or part of the Securities to be registered under the Securities Act, for offer and sale under the securities or Blue Sky laws of the states of the United States of America, and in connection therewith, to execute, acknowledge, verify, deliver, file and publish all such applications, reports, issuer's covenants, resolutions, consents to service of process, or appointments of governmental officials for the purpose of receiving and accepting service of process on the laws, and to take any and all further action which they may deem necessary or advisable in order to maintain any such registration or qualification for as long as they deem the same to be in the best interest of the Company;

ESOL ED F T E, that the form of any additional resolutions required in connection with the appropriate qualification or registration of the Securities for offer and sale under such securities or Blue Sky laws, be and hereby is approved and adopted, provided the appropriate officers of the Company, on the advice of counsel, consider the adoption thereof necessary or advisable, in which case the Secretary or any Assistant Secretary of the Company is hereby directed to insert as an appendix hereto a copy of such resolutions, which shall thereupon be deemed to have been adopted by this Board with the same force and effect as if set out verbatim herein;

ESOL ED F T E, that any of the proper officers or authorized employees be, and each of them hereby is, authorized to approve at any time and from time to time, one or more forms of underwriting agreements (and related terms agreement) and agency agreement (and related purchase agreement) and any other agreement or agreements any of such persons may deem necessary or appropriate in connection with the arrangements for the purchase of any of the Securities, and that such persons be, and each of them hereby is, authorized to execute and deliver, in the name and on behalf of the Company, any such agreement or agreements in substantially the form approved by any of them, with such changes therein as the person executing the same may approve, as conclusively evidenced by the execution and delivery thereof, it being understood that, in the case of any terms agreement or purchase agreement referred to above, it shall not be necessary for any of the proper officers to approve any individual agreement pursuant to which Securities are to be sold if the form thereof has previously been approved as provided in this resolution;

ESOL ED F T E, that any of the proper officers be, and each of them hereby is, authorized, at any time and from time to time, on behalf of the Company, (i) to determine, within any limits that may be set by the Board of Directors, the number of shares of Common Stock, preferred stock or other equity securities to be offered and sold by the Company pursuant to the New Automatic Shelf, including any shares underlying warrants or convertible Debt Securities, (ii) to authorize the reserve and issuance of such shares and (iii) to take any and all action and to do or cause to be done any and all things which may appear to any of the proper officers to be necessary or advisable in order to authorize, offer, issue, and sell such shares of Common Stock, pursuant to the New Automatic Shelf and the applicable purchase agreement, which action could be taken or which things could be done by the Board of Directors of the Company;

ESOL ED F T E, that any of the proper officers may, at any time and from time to time, on behalf of the Company, authorize the issuance of one or more series of Securities under the Company's indentures, within any limits that may be set by the Board of Directors, and in connection therewith establish, or, if all of the Securities of such series may not be originally issued at one time, to the extent deemed appropriate, prescribe the manner of determining, within any limitations established by any of the proper officers and subject in either case to the limitations set forth in these resolutions, all of the terms of such Securities;

ESOL ED F T E, that, in connection with any such series of Securities (but without limiting the authority hereinafter in these resolutions conferred with respect to the issuance of Securities of a series which may not all be originally issued at one time), any of the proper officers is authorized at any time or from time to time to determine the price or prices to be received by the Company in any offering or sale of Securities of such series, any public offering price or prices thereof, any discounts to be allowed or commissions to be paid to any agent, dealer or underwriter and any other terms of offering or sale of Securities of such series and to sell Securities of such series in accordance with any applicable purchase agreement or other agreement(s);

ESOL ED F T E, that, in connection with the issuance of Securities of any series which may not be originally issued at one time (except as may be inconsistent with any action taken by any of the proper officers, as hereinabove provided, in connection with such series), any of the proper officers may delegate any of its authority pursuant to these resolutions to any officer of the Company, including authority to fix the terms of such Securities;

ESOL ED F T E, that, in connection with any such series of Securities, any of the proper officers is authorized to approve any amendment, modification or supplement to the Company's indentures and that any proper officer be, and each of them hereby is, authorized to execute and deliver, in the name and on behalf of the Company, any such amendment, modification or supplement, substantially in the form approved by any proper officer;

ESOL ED F T E, that the proper officers and authorized employees be, and each of them hereby is, authorized, in the name and on behalf of the Company, to execute and deliver such other agreements (including indemnity agreements), documents, certificates, orders, requests and instruments as may be contemplated by the Company's indentures or required by the trustee thereunder, the security registrar or any other agent of the Company under such indentures in connection therewith or as may be necessary or appropriate in connection with the issuance and sale of Securities thereunder;

ESOL ED F T E, that the proper officers be, and each of them hereby is, authorized, subject to and in accordance with the Company's indentures and any action taken by any of the proper officers in connection therewith, from time to time to appoint or designate on behalf of the Company one or more security registrars, paying agents and transfer agents for each series of Securities, to rescind on behalf of the Company any such appointment or designation and to approve on behalf of the Company any change in the location of any office through which any such security registrar, paying agent or transfer agent acts, and in connection therewith to take such action and to make, execute and deliver, or cause to be made, executed and delivered, such agreements, instruments and other documents as any such officer may deem necessary or appropriate;

ESOL ED F T E, that the proper officers and authorized employees be, and each of them hereby is, authorized, in the name and on behalf of the Company, to make application to such securities exchange or exchanges as the persons acting shall deem necessary or appropriate for the listing thereof of any of the Securities (including any Common Stock or preferred stock underlying any convertible Securities) and in connection therewith to appoint one or more listing agents and to prepare, or cause to be prepared, execute and file, or cause to be filed, an application or applications for such listing and any and all amendments thereto and any additional certificates, documents, letters and other instruments which any such officer may deem necessary or desirable; that such officers, or such other person as any such officer may designate in writing, be, and each of them hereby is, authorized to appear before any official or officials or before any body of any such exchange, with authority to make such changes in such application, amendments, certificates, documents, letters and other instruments and to execute and deliver such agreements relative thereto, including, without limitation, listing agreements, fee agreements and indemnity agreements relating to the use of facsimile signatures as they, or any one of them, may deem necessary or appropriate in order to comply with the requirements of any such exchange or to effect such listing;

ESOL ED F T E, that the proper officers be, and each of them hereby is, authorized, in the name and on behalf of the Company, to make application to the SEC for registration of any series of the Securities under Section 12 or other applicable section of the Securities Exchange Act of 1934, and the proper officers and authorized employees are hereby authorized to prepare or cause to be prepared, and to execute and file, or cause to be filed, with the SEC and any securities exchange an application or applications for such registration and any and all amendments thereto and any additional certificates, documents, letters and other instruments which any such officer may deem necessary or desirable;

ESOL ED F T E, that the officers and authorized employees of the Company be, and each of them hereby is, authorized to take, or cause to be taken, any and all action which any such officer may deem necessary or desirable in order to carry out the purpose and intent of the foregoing resolutions or in order to perform, or cause to be performed, the obligations of the Company under the Securities, the New Automatic Shelf and any indenture, purchase agreement, or other agreement referred to herein, and, in connection therewith, to make, execute and deliver, or cause to be made, executed and delivered, all agreements, undertakings, documents, certificates, orders, requests or instruments in the name and on behalf of the Company as each such officer or authorized employee may deem necessary or appropriate;

ESOL ED F T E, that for purposes of these resolutions, the term "proper officer" shall mean any or all of the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Chief Accounting Officer and the Treasurer of the Company and the term "authorized employees" shall mean either or both of the Vice President and Assistant General Counsel — Corporate and Securities and the Senior Counsel — Corporate & Securities of the Company;

ESOL ED F T E, that the form of any additional resolutions required in connection with the foregoing resolutions be and hereby is approved and adopted, provided the proper officers of the Company, on the advice of counsel, consider the adoption thereof necessary or advisable, in which case the Secretary or any Assistant Secretary of the Company is hereby directed to insert as an appendix hereto a copy of such resolutions, which shall, upon execution, be deemed to have been adopted by this Board with the same force and effect as if set out verbatim herein; and

ESOL ED F T E, that any officer of the Company is hereby authorized and directed to make, provide, execute, and deliver any and all statements, applications, certificates, representations, payments, notices, receipts, and other instruments and documents and take any and all other actions which in the opinion of such officer is or may be necessary or appropriate in connection with or to consummate any of the matters covered by the foregoing resolutions.

GUARANTEE

BY WASTE MANAGEMENT HOLDINGS, INC.

(formerly known as Waste Management, Inc.)

in Favor of The Bank of New York Mellon Trust Company, N.A., as Trustee for the Holders of Certain Debt Securities of

WASTE MANAGEMENT, INC.

$500,000,000
2.90% Senior Notes due 2022

September 12, 2012

GUARANTEE, dated as of September 12, 2012 (as amended from time to time, this "Guarantee"), made by Waste Management Holdings, Inc. (formerly known as Waste Management, Inc.), a Delaware corporation (the "Guarantor"), in favor of The Bank of New York Mellon Trust Company, N.A., as trustee for the holders of the $500 million 2.90% Senior Notes due 2022 (the "Debt Securities") of Waste Management, Inc. (formerly known as USA Waste Services, Inc.), a Delaware corporation (the "Issuer").

WITNESSETH:

SECTION 1. Guarantee

(a) The Guarantor hereby unconditionally guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the principal of, premium, if any, and interest on the Debt Securities (the "Obligations"), according to the terms of the Debt Securities and as more fully described in the Indenture (as amended, modified or otherwise supplemented from time to time, the "Indenture"), dated as of September 10, 1997, between the Issuer, as successor to USA Waste Services, Inc., and The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee (the "Trustee").

(b) It is the intention of the Guarantor that this Guarantee not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to this Guarantee. To effectuate the foregoing intention, the amount guaranteed by the Guarantor under this Guarantee shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Guarantor (other than guarantees of the Guarantor in respect of subordinated debt) that are relevant under such laws, result in the Obligations of the Guarantor under this Guarantee not constituting a fraudulent transfer or conveyance. For purposes hereof, "Bankruptcy Law" means Title 11, U.S. Code, or any similar Federal or state law for the relief of debtors.

SECTION 2. Guarantee Absolute .The Guarantor guarantees that the Obligations will be paid strictly in accordance with the terms of the Indenture, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of holders of the Debt Securities with respect thereto. The liability of the Guarantor under this Guarantee shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Indenture, the Debt Securities or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Indenture;

(iii) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Issuer or a guarantor.

SECTION 3. Subordination. The Guarantor covenants and agrees that its obligation to make payments of the Obligations hereunder constitutes an unsecured obligation of the Guarantor ranking (a) *pari passu* with all existing and future senior indebtedness of the Guarantor and (b) senior in right of payment to all existing and future subordinated indebtedness of the Guarantor.

SECTION 4. Waiver; Subrogation

(a) The Guarantor hereby waives notice of acceptance of this Guarantee, diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of the Issuer, any right to require a proceeding filed first against the Issuer, protest or notice with respect to the Debt Securities or the indebtedness evidenced thereby and all demands whatsoever.

(b) The Guarantor shall be subrogated to all rights of the Trustee or the holders of any Debt Securities against the Issuer in respect of any amounts paid to the Trustee or such holder by the Guarantor pursuant to the provisions of this Guarantee; provided, however, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of, or based upon, such right of subrogation until all Obligations shall have been paid in full.

SECTION 5. No Waiver, Remedies. No failure on the part of the Trustee or any holder of the Debt Securities to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 6. Continuing Guarantee; Transfer of Interest . This Guarantee is a continuing guaranty and shall (i) remain in full force and effect until the earliest to occur of (A) the date, if any, on which the Guarantor shall consolidate with or merge into the Issuer or any successor thereto, (B) the date, if any, on which the Issuer or any successor thereto shall consolidate with or merge into the Guarantor, (C) payment in full of the Obligations and (D) the release by the lenders under the Amended and Restated Revolving Credit Agreement dated May 9, 2011, by and among the Issuer, the Guarantor (as guarantor), Bank of America, N.A., as administrative agent, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital, as lead arrangers and joint book runners (or under any replacement or new principal credit facility of the Issuer) of the guarantee of the Guarantor thereunder, (ii) be binding upon the Guarantor, its successors and assigns, and (iii) inure to the benefit of and be enforceable by any holder of Debt Securities, the Trustee, and by their respective successors, transferees, and assigns.

SECTION 7. Reinstatement. This Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by any holder of the Debt Securities or the Trustee upon the insolvency, bankruptcy or reorganization of the Issuer or otherwise, all as though such payment had not been made.

SECTION 8. Amendment. The Guarantor may amend this Guarantee at any time for any purpose without the consent of the Trustee or any holder of the Debt Securities; provided, however, that if such amendment adversely affects the rights of the Trustee or any holder of the Debt Securities, the prior written consent of the Trustee shall be required.

SECTION 9. Governing Law. THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PROVISIONS THEREOF RELATING TO CONFLICT OF LAWS.

IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

WASTE MANAGEMENT HOLDINGS, INC.,

By: /s/ Devina A. Rankin
Devina A. Rankin
Vice President and Treasurer

By: /s/ Don P. Carpenter
Don P. Carpenter
Vice President, Chief Financial Officer
and Controller

Signature Page to Guarantee

SE A ATION AG EEMENT

THIS SEPARATION AGREEMENT ("Agreement") is entered into on this 25th day of July, 2012 between Waste Management, Inc. (the "Company") and Grace Cowan (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.

EAM LE

WHEREAS, the Company and Executive previously entered into that certain Employment Agreement in February 2011 (the "Employment Agreement");

WHEREAS, pursuant to such Employment Agreement, Executive has been continuously employed by the Company;

WHEREAS, the Company has notified Executive that her employment is being terminated pursuant to Section 5(e) of said Employment Agreement, effective August 31, 2012;

WHEREAS, the Employment Agreement states that upon a termination pursuant to Section 5(e), Executive will receive certain severance benefits described in Section 6(e) upon her execution of a waiver and release of claims;

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. Te mination o Em lo ment. The employment of Executive is terminated, effective August 31, 2012 ("Employment Termination Date"). The parties agree that Executive's employment is being terminated pursuant to Section 5(e) of the Employment Agreement.

Executive is entitled to the certain compensation and benefits set forth in Section 6(e) (i) and (ii) of the Employment Agreement without her execution of a release, as more specifically detailed in Exhibit A to this Agreement. <u>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 she executes this Agreement.</u>

. a ment o Additional Conside ation. 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 upon the execution of a waiver and release of claims. <u>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 she executes and does not revoke this Agreement</u>. 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 4 and 5. 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 4 and 5.

. ost Noti ication Em lo ment Wit T e Com an . From now until Executive's August 31, 2012 termination, the Company shall continue to employee Executive, and Executive shall continue to be employed by the Company upon the terms and subject to the conditions set forth in this Agreement. The period of Executive's continued employment with the Company under this Agreement shall commence immediately and shall continue until August 31, 2012 ("Continued Employment Period"). During the Continued Employment Period, Executive shall perform such duties and have such responsibilities as may be assigned to her from time to time by the Company's Chief Executive Officer. It is expressly agreed that Executive's duties and responsibilities during such Continued Employment Period shall be limited to providing advice and consulting support on the Company's Customer Experience projects as requested. Executive will not be expected to manage the day-to-day activities of the Customer Experience Department. Executive is not required to be present at the Company's offices unless specifically requested. The Company will reimburse Executive for all reasonable pre-approved out-of-pocket business expenses incurred by Executive in accordance with the Company's customary practices and policies.

4. Gene al elease. In exchange for the first payment made to Executive pursuant to Paragraph 2, Executive releases and discharges 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 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 her 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 she has no pending claims or charges against the Release Parties, and if she 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 her right, if any, to recover any monetary or other benefits of any sort whatsoever arising from any such investigation, nor will she seek reinstatement to her 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 Company's decision to end Executive's employment are specifically released and waived under the terms of this Agreement.

. **Co enant 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 prevents Executive from bringing 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.

. A lication to all Fo ms o elie . 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.

. No Admissions, Com laints o Ot e 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 she 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.

. Ac no ledgments. Executive has fully reviewed the terms of this Agreement, acknowledges that she understands its terms, and states that she 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 her employment with Waste Management or the termination of her employment.

Executive acknowledges that she has had at least forty-five (45) days to consider this General Release Agreement thoroughly, and Executive understands that she has the right to consult with an attorney, before she 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, she certifies that her 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 she may revoke this General Release Agreement within seven (7) days after she 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 she revokes this General Release Agreement, she 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 agrees and accepts that the termination of her employment giving rise to her eligibility for benefits described above will not be construed to provide or trigger any enhanced benefits under any equity-based compensation awards previously granted to her, including, but not limited to, stock option awards, restricted stock awards, restricted stock unit awards and/or performance share unit awards. Such forms of enhanced benefits include, without limitation, vesting beyond the date of termination of employment and/or an extended period in which to exercise equity-based awards resulting from a termination of employment by reason of retirement or resignation, as such terms are contemplated with respect to each such award. Executive further agrees and accepts that the terms and conditions of each equity-based incentive award shall govern those awards, not withstanding any other representation, whether written or oral, to the contrary.

. Settlement and Ac uisition o Good ill. 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 promise of continued employment and the compensation and benefits associated with same 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 her 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. In the event that the Company, in its sole discretion, determines that Executive has engaged in activities that violate the Employment Agreement Restrictive Covenants, the Company shall have the right to discontinue and terminate Executive's employment. Such Termination of employment shall be in addition to and shall not limit injunctive relief and/or any and all other rights and remedies that the Company may have against Executive under the Employment Agreement or this Agreement.

1 . Assistance and Coo e ation. Executive agrees that she 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 she was an employee of the Company or with which she 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 her 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 her 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.

11. C oice o La s. 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.

1 . Se e a ilit . 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.

1 . Com lete Ag eement. The parties hereto agree that the February 2011 Employment Agreement (including any other amendments thereto) as modified by this 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 issued between them.

IN WITNESS WHEREOF, this Agreement is EXECUTED and EFFECTIVE as of the day set forth above.

G ACE COWAN	**WASTE MANAGEMENT, INC.**
("Executive")	(The "Company")
	By: /s/ David P. Steiner
/s/ Grace Cowan	
Grace Cowan	
	Its: Chief Executive Officer

E I IT A

The employment of Executive is terminated, effective August 31, 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 she 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; or

c) Payment for vacation days accrued but unused in 2012.

All applicable withholdings will be deducted from payments described herein.

E ecuti e is entitled to t e ene its desc i ed a o e in t is E i it A et e o not s e e ecutes t is Se a ation Ag eement.

E I IT

The employment of Executive is terminated, effective August 31, 2012 (the "Employment Termination Date"). As Executive's employment is being terminated pursuant to Section 5(e) of the Employment Agreement, Executive is entitled to certain compensation and benefits set forth in Section 6(e) (iii) (iv) and (v) of the Employment Agreement only after she executes and does not revoke this Separation Agreement.

In consideration of the premises and promises herein contained, it is agreed that the Company will provide Executive the following benefits if she executes this Agreement and does not revoke it. 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 to other senior executives of the Company. Executive will receive 8/12 of any such calculated payment on or about March 15, 2013.

b) A severance payment in the gross amount of One Million Two Hundred Thousand Dollars and No Cents ($1,200,000.00), approximately equal to two times the sum of Executive's base salary ($375,000.00) and her Target Bonus ($225,000.00). This severance amount will be paid as follows: Six Hundred Thousand Dollars and No Cents ($600,000.00) shall be paid no later than 10 days after Executive executes and does not revoke this Agreement; and the remaining Six Hundred Thousand Dollars and No Cents ($600,000.00) will be paid on or about December 28, 2012.

c) Twenty-four months of continued group health and/or dental insurance coverage that Executive participated of her Employment Termination Date. Executive must entirely elect COBRA coverage and the Company will pay for 18 months or until Executive's death or eligibility for coverage by a subsequent employer, the portion of the COBRA premium in excess of the regular employee premium contribution required of similarly situated active employees of the Company. 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 and Executive will only be required to pay an amount equal to premiums required of similarly situated active employees.

d) A lump sum separation bonus in the amount of Six Hundred Fifty Thousand Dollars and No Cents ($650,000.00), payable on or about December 28, 2012.

All Applicable withholdings will be deducted from all payments described herein.

E I IT C

Executive's employment as the Company's Senior Vice President, Customer Experience is being terminated effective August 31, 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. There are no similarly situated employees to Executive; her duties and responsibilities will be distributed to others.

Although there is no comparable position to Executive's, as she reports directly to the Chief Executive Officer of the Company, below is a chart showing the other positions reporting directly to the Chief Executive Officer, 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 July 25, 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.

o Title	Age	Selected	Not Selected
EVP, Growth, Innovation & Field Support	59		X
Director, Aviation	52		X
SVP, Government Affairs & Corp Communications	52		X
Corp VP, Business Partner	53		X
SVP General Counsel & CCO	64		X
Chief Strategy Officer	43		X
Sr. Executive Assistant - CEO	49		X
SVP, Chief Information Officer	50		X
SVP, Customer Experience	54	X	
EVP, Fin, Recycling &Energy Services	52		X
SVP, Eastern Group	50		X
SVP, Midwestern Group	58		X
SVP, Southern Group	58	X	
SVP, Western Group	61	X	

SE A ATION EM LO MENT

THIS SEPARATION AGREEMENT ("Agreement") is entered into on this 17th day of August, 2012 between Waste Management, Inc. (the "Company") and Brett W. Frazier (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.

EAM LE

WHEREAS, the Company and Executive previously entered into that certain Employment Agreement on July 13, 2007 (the "Employment Agreement");

WHEREAS, pursuant to such Employment Agreement, Executive has been continuously employed by the Company;

WHEREAS, Executive has elected to participate in the Company's Voluntary Early retirement program (VERP) and his employment is being terminated effective August 17, 2012;

WHEREAS, the Parties agree that upon his separation, Executive will receive certain benefits described in Section 6(e) of his Employment Agreement and the VERP upon his execution of a waiver and release of claims;

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. Te mination o Em lo ment. The employment of Executive will terminate on August 17, 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. <u>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.</u>

. a ment o Additional Conside ation. 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. <u>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</u>. 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.

. Gene al elease. In exchange for the first payment made to Executive pursuant to Paragraph 2, Executive releases and discharges 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 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, <u>age or any other claim or right Executive may have under the Age Discrimination in Employment Act ("ADEA")</u>, 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 Company's decision to end Executive's employment are specifically released and waived under the terms of this Agreement.

4. Co enant 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 prevents Executive from bringing 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.

. A lication to all Fo ms o elie . 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.

. No Admissions, Com laints o Ot e 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.

. Ac no ledgments. 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.

. Settlement and Ac uisition o Good ill. 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 promise of continued employment and the compensation and benefits associated with same 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.

. Assistance and Coo e ation. 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.

1 . C oice o La s. 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. Se e a ilit . 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.

1 . Com lete Ag eement. The parties hereto agree that the July 13, 2007 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.

<u>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 issued between them.</u>

IN WITNESS WHEREOF, this Agreement is EXECUTED and EFFECTIVE as of the day set forth above.

ETT W. F A IE
("Executive")

/s/ Brett W. Frazier
Brett W. Frazier

WASTE MANAGEMENT, INC.
(The "Company")
By: /s/Mark Schwartz

Its: Senior Vice President, Human Resources

E I IT A

The employment of Executive is terminated, effective August 17, 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; or

c) Payment for vacation days accrued but unused in 2012.

All applicable withholdings will be deducted from payments described herein.

E ecuti e is entitled to t e ene its desc i ed a o e in t is E i it A et e o not e e ecutes t is Se a ation Ag eement.

E I IT

The employment of Executive is terminated, effective August 17, 2012 (the "Employment Termination Date") under the terms of the Company's Voluntary Early Retirement Program (VERP). As a result, Executive is entitled to certain compensation and benefits set forth in Section 6(e) (iii) (iv) and (v) of the Employment Agreement and those benefits provided by the VERP only after he executes and doesn't revoke this Separation Agreement.

In consideration of the premises and promises herein contained, it is agreed that the Company will provide Executive the following benefits if he executes this Agreement and does not revoke it. 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 to other senior executives of the Company. Executive will receive 8/12 of any such calculated payment on or about March 15, 2013.

b) A severance payment in the gross amount of One Million Eight Hundred Seventy-Two Thousand Five Hundred Dollars and No Cents ($1,872,500.00), approximately equal to two times the sum of Executive's base salary ($535,000.00) and Target Bonus ($401,250.00). This severance amount will be paid as follows: Nine Hundred Thirty-Six Thousand Two Hundred Fifty Dollars and No Cents ($936,250.00) shall be paid no later than 10 days after Executive executes and does not revoke this Agreement; and the remaining Nine Hundred Thirty-Six Thousand Two Hundred Fifty Dollars and No Cents ($936,250.00) 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 pay for 18 months or until Executive's death or eligibility for coverage by a subsequent employer, the entire COBRA premium. 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 separation bonus in the amount of One Hundred Twenty-Six Thousand Three Hundred Ninety-Three Dollars and Seventy-Five Cents ($126,393.75).

All Applicable withholdings will be deducted from all payments described herein.

E I IT C

Executive's employment as the Company's Senior Vice President, Southern Group is being terminated effective August 17, 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 August 13, 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.

o Title	Age	Selected	Not Selected
SVP, Eastern Group	50		X
SVP, Midwestern Group	58		X
SVP, Southern Group	58	X	
SVP, Western Group	61	X	

SE A ATION AG EEMENT

This Agreement is entered into by and between Cherie C. Rice ("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 August 26, 2005 and amended on December 31, 2008;

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. **a ments and ene its.** You will be offered benefits according to the Voluntary Early/Enhanced Retirement Plan (the "Plan") after your final day of employment on September 21, 2012. As described in the Plan and in exchange for the promises by you below, you will receive severance in the gross amount of Three Hundred Twenty-Four Thousand Seven Hundred Fifty-Two Dollars and Eight Cents ($324,752.08) payable as follows: one half or $162,376.04 payable ten days after you execute this Agreement and the remaining one half or $162,376.04 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 $71,120.71 payable on or about March 15, 2013. Applicable federal, state, and local payroll taxes will be deducted from these payments.

In addition, if you timely elect COBRA coverage to continue the group health and/or dental insurance coverage you participated in as of your employment termination date, Waste Management will pay for 52 weeks of COBRA coverage at its own expense. Thereafter, you will bear the full cost of any continued COBRA coverage.

The Company will pay you the gross amount of Twenty Eight Thousand Seven Hundred Forty-Seven and Sixty-Three Cents ($28,747.63), less all applicable withholdings, approximately equal to the value of other Company benefits available only to active employees.

In further consideration of the promises and mutual promises herein contained, the Company will provide you with six months of executive level outplacement services with Right Management, the Company's preferred vendor. 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.

Finally, the Company will gift you the Houstonian Membership you currently use, but will not be responsible for any additional associated fees.

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. **Gene al elease.** 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 <u>not</u> 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.

The Company releases you from all claims, offsets, overpayments, reimbursements or other amounts known to date.

3. **Co enant 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. **Co enant Not to Com ete and Non Solicitation o isions**. 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. **Ac no ledgments.** 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 **And ea i caino at acsimile num e (1) 4** . 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. **Futu e Coo e ation.**

You 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.

With respect to your involvement in the investigation by the United States Attorney's Office for the District of Hawaii, the Company will provide you with mutually agreed to counsel.

The indemnity provisions contained in Paragraph 12 of your Employment Agreement will survive your execution of this Agreement.

7. **etu n o o e t .** You must return to Waste Management on your last day of employment all documents, files (including copies), and any other Waste Management property.

8. **<u>Gene al o isions</u>.** 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. Not withstanding the foregoing, Sections 12, 13, 14 and 15 of the August 26, 2005 Employment Agreement will survive the execution of this Separation Agreement.

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.

EM LO EE	**WASTE MANAGEMENT OLDINGS, INC.**
By: /s/ Cherie C. Rice	By: Mark Schwartz
Cherie C. Rice	Its: Authorized Representative

Date: October 12, 2012

Employee ID# <u>084555</u>

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

A ENDI 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.

Job Title	Age	Selected	Not Selected
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	

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I, David P. Steiner, certify that:

i. I have reviewed this report on Form 10-Q 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/ DAVID P. STEINER
David P. Steiner
President and Chief Executive Officer

Date: October 31, 2012

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NDE T E SEC ITIES E C ANGE ACT OF 1 4,
AS ADO TED S ANT TO SECTION OF T E SA ANES O LE ACT OF

I, James C. Fish, Jr., certify that:

i. I have reviewed this report on Form 10-Q 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: October 31, 2012

CE TIFICATION S ANT TO
1 .S.C. SECTION 1 ,
AS ADO TED S ANT TO
SECTION OF T E SA ANES O LE ACT OF

In connection with the Quarterly Report of Waste Management, Inc. (the "Company") on Form 10-Q for the period ended September 30, 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

October 31, 2012

CE TIFICATION S ANT TO
1 .S.C. SECTION 1 ,
AS ADO TED S ANT TO
SECTION OF T E SA ANES O LE ACT OF

In connection with the Quarterly Report of Waste Management, Inc. (the "Company") on Form 10-Q for the period ended September 30, 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

October 31, 2012

Mine Sa et Disclosu es

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 quarter ended September 30, 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 quarter ended September 30, 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.