

WASTE MANAGEMENT HOLDINGS INC

Form 424B3

November 12, 2009

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

**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-162059**

SUBJECT TO COMPLETION, DATED NOVEMBER 12, 2009

**Preliminary Prospectus Supplement
(To Prospectus Dated September 22, 2009)**

\$

% Senior Notes due 2039

We are offering \$ of our % senior notes due 2039. Interest on the notes will accrue from November , 2009 and will be payable on and of each year, beginning , 2010. The notes will mature on , 2039.

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

We may redeem the notes, in whole or in part, at any time at the redemption prices described beginning on page S-15. If a change of control triggering event as described on page S-17 occurs, we may be required to offer to purchase the notes from holders.

Investing in the notes involves risks. See Risk Factors beginning on page S-4 of this prospectus supplement.

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

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

(1) Plus accrued interest from November , 2009 if delivery occurs after that date.

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

The underwriters expect to deliver the notes to investors on or about November , 2009 only in book-entry form through the facilities of The Depository Trust Company and its participants, including Euroclear and Clearstream Banking.

Joint Book-Running and Joint Lead Managers

BNP PARIBAS

J.P. Morgan

Scotia Capital

Wells Fargo Securities

November , 2009

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

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SUMMARY

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

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

About Waste Management

We are the leading provider of integrated waste services in North America. Using our vast network of assets and employees, we provide a comprehensive range of waste management services. Through our subsidiaries we provide collection, transfer, recycling, disposal and waste-to-energy services. In providing these services, we actively pursue projects and initiatives that we believe make a positive difference for our environment, including recovering and processing the methane gas produced naturally by landfills into a renewable energy source. Our customers include commercial, industrial, municipal and residential customers, other waste management companies, electric utilities and governmental entities.

Our principal offices are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002. Our telephone number at that address is (713) 512-6200. Our website address is <http://www.wm.com>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K are all available, free of charge, on our website as soon as practicable after we file them with the SEC. Information on our website is not generally incorporated by reference into this prospectus supplement and does not constitute a part of this prospectus supplement. Our common stock is traded on the New York Stock Exchange under the symbol WM.

About Waste Management Holdings, Inc.

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

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The Offering

Issuer	Waste Management, Inc.
Securities Offered	\$ million aggregate principal amount of % Senior Notes due 2039
Subsidiary Guarantee	WM Holdings will fully and unconditionally guarantee, on a senior unsecured basis, the full and prompt payment of the principal and any premium and interest on the notes, when and as it becomes due and payable, whether at maturity or otherwise.
Maturity Date	, 2039
Interest Rate	% per year
Interest Payment Dates	and of each year, beginning , 2010
Optional Redemption	<p>We may elect to redeem and repay any or all of the notes at any time in minimum principal amounts of \$2,000 or any integral multiple of \$1,000 in excess thereof. We will pay an amount equal to the greater of 100% of the principal amount of the notes redeemed and repaid, or the sum of the present values of the remaining scheduled payments of principal and interest on the notes, as described on page S-15 of this prospectus supplement. We will also pay accrued interest to the redemption date.</p> <p>Please read Description of Notes Optional Redemption.</p>
Change of Control Offer	If a change of control triggering event as described on page S-17 occurs, holders of the notes may require us to purchase all or a portion of such holders notes at a price equal to 101% of the principal amount, plus accrued interest, if any, to the date of purchase. See Description of Notes Change of Control Offer.
Ranking	The notes and the guarantees will constitute the senior unsecured debt of Waste Management, Inc. and WM Holdings, respectively, and will rank equally with all of our and its other existing and future senior indebtedness from time to time outstanding.
Covenants	<p>We will issue the notes under an indenture containing covenants for your benefit. These covenants restrict our ability, with certain exceptions, to:</p> <ul style="list-style-type: none"> create, incur or assume debt secured by liens; engage in sale and leaseback transactions; and merge, consolidate or transfer all or substantially all of our assets.
Use of Proceeds	We expect the net proceeds from the offering of the notes to be \$ million, after deducting underwriting discounts and commissions and

estimated expenses of the offering that we will pay. A portion of the net proceeds will be used to fund an equity investment and other acquisitions and investments and all remaining proceeds will be used for general corporate purposes, including additions to working capital, capital expenditures and the funding of other potential acquisitions and investments in businesses. For more details, see Use of Proceeds.

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Trustee	The Bank of New York Mellon Trust Company, N.A.
Additional Issues	We may, without the consent of the holders, create and issue additional notes ranking equally and ratably with the notes in all respects, so that such additional notes shall be considered and form a single series with the notes.

Ratio of Earnings to Fixed Charges

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

	Nine Months Ended September 30, 2009	2008	Years Ended December 31,			
		2007	2006	2005	2004	
Ratio of earnings to fixed charges	4.1x	4.5x	4.0x	3.5x	3.2x	3.5x

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

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RISK FACTORS

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

Risks Related to the Notes

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

As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our ability to meet our cash obligations, including our obligations under the notes, depends in part upon the ability of our subsidiaries to make cash distributions to us. Any of our subsidiaries' declaration of bankruptcy, liquidation or reorganization could materially adversely affect their ability to make cash distributions to us. The ability of our subsidiaries to make distributions to us is also, and will continue to be, restricted by, among other limitations, applicable provisions of the laws of national or state governments and contractual provisions. As of September 30, 2009, our operating subsidiaries had \$3.21 billion of indebtedness, excluding inter-company loans. Any inability to pay amounts to us, whether by reason of financial difficulties or other restrictions, could have a material adverse effect on our ability to service and repay our debt, including the notes.

Our substantial indebtedness could impair our financial condition and our ability to fulfill our debt obligations, including our obligations under the notes.

We have substantial indebtedness. At September 30, 2009, our ratio of total debt to total capitalization was 55.8% and our total consolidated indebtedness was \$8.25 billion. In addition, as of September 30, 2009, we had approximately \$1.6 billion letters of credit outstanding under our \$2.4 billion revolving credit facility. Our level of indebtedness and the covenants contained in the agreements governing our debt could have important consequences, including:

making it more difficult for us to satisfy our obligations with respect to the notes and our other indebtedness, which could in turn result in an event of default on such other indebtedness or the notes;

impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

requiring us to dedicate a substantial portion of our cash flow from operations to debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

placing us at a competitive disadvantage compared to our competitors that have proportionately less debt; and

making us vulnerable to increases in interest rates, as 28% of our total debt was at variable interest rates as of September 30, 2009.

We are not prohibited under the indenture governing the notes from incurring additional indebtedness. Although our \$2.4 billion revolving credit facility requires us to maintain specified ratios of total debt to consolidated EBITDA and consolidated EBIT to interest expense (each as defined in our revolving credit facility), as of September 30, 2009 and after giving effect to the offering of the notes, we have the ability to

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incur substantial additional indebtedness while remaining in compliance with these ratios. Our incurrence of significant additional indebtedness would exacerbate the negative consequences mentioned above, and could adversely affect our ability to repay the notes.

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

Our obligations under the notes will be guaranteed by our wholly owned subsidiary, WM Holdings. The guarantee may be subject to review under various laws for the protection of creditors. It is possible that the creditors of WM Holdings may challenge the guarantee as a fraudulent transfer under relevant federal and state laws. Under certain circumstances, including a finding that WM Holdings was insolvent at the time its guarantee was issued, a court could hold that the obligations of WM Holdings under the guarantee may be voided or are subordinate to other obligations of WM Holdings, or that the amount for which WM Holdings is liable under its guarantee of the notes may be limited. Different jurisdictions define insolvency differently, and we cannot assure you as to what standard a court would apply in order to determine whether WM Holdings was insolvent. If a court determined that WM Holdings was insolvent on the date the guarantee of the notes was issued, or that the guarantee constituted a fraudulent transfer on another ground, the claims of creditors of WM Holdings would effectively have priority with respect to WM Holdings' assets and earnings over the claims of the holders of the notes.

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

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

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

You may not be able to sell the notes.

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

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

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Risks Related to Our Business

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

Our business is 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. Although our services are of an essential nature, a weak economy generally results in decreases in volumes of waste generated, which decreases our revenues. Additionally, consumer uncertainty and the loss of consumer confidence may limit the number or amount of services requested by customers and our ability to increase customers' pricing. During weak economic conditions we may also be adversely impacted by customers' inability to pay us in a timely manner, if at all, due to their financial difficulties, which could include bankruptcies. Economic conditions over the last twelve months have negatively affected business and consumer spending generally. If our customers do not have access to capital, we do not expect that our volumes will improve or that we will increase new business. Additionally, if we are unable to access credit on favorable terms, our growth, development and capital spending plans may be adversely affected.

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

We encounter intense competition from governmental, quasi-governmental and private sources in all aspects of our operations. In North America, the industry consists of two national waste management companies, regional companies and local companies of varying sizes and financial resources. We compete with these companies as well as with counties and municipalities that maintain their own waste collection and disposal operations. These counties and municipalities may have financial competitive advantages because tax revenues are available to them and tax-exempt financing is more readily available to them. Also, such governmental units may attempt to impose flow control or other restrictions that would give them a competitive advantage.

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

If we do not successfully manage our costs, or do not successfully implement our plans and strategies to improve margins, our income from operations could be lower than expected.

In recent years, we have implemented several profit improvement initiatives aimed at lowering our costs and enhancing our revenues. We have implemented price increases and environmental fees, both of which have increased our internal revenue growth, 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 continue to seek to divest under-performing and non-strategic assets if we cannot improve their profitability. We may not be able to successfully negotiate the divestiture of under-performing and non-strategic operations, which could result in asset impairments or the continued operation of low-margin businesses. If we are not able to fully or successfully implement our plans and strategies for any reason, many of which are out of our control, we may not see the expected improvements in our income from operations or our operating margins.

The seasonal nature of our business causes our quarterly results to fluctuate, and prior performance is not necessarily indicative of our future results.

Our operating revenues tend to be somewhat higher in summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we

operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. Additionally, certain destructive weather conditions that tend to occur during the second half of the year, such as the hurricanes generally experienced by our Southern group, actually increase our revenues in the areas affected. However, for several reasons, including significant start-up costs, such revenue often generates earnings at comparatively lower

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margins. Certain weather conditions may result in the temporary suspension of our operations, which can significantly affect the operating results of the affected regions. The operating results of our first quarter also often reflect higher repair and maintenance expenses because we rely on the slower winter months, when waste flows are generally lower, to perform scheduled maintenance at our waste to-energy facilities. 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.

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

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

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

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

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

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

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

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

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

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

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

mandates regarding the disposal of solid waste, including requirements to recycle rather than landfill certain waste streams.

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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.

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

Environmental advocacy groups and regulatory agencies in the United States have been focusing considerable attention on the emissions of carbon dioxide, methane and other greenhouse gases and their potential role in climate change. The adoption of laws and regulations to implement controls of greenhouse gases, including the imposition of fees or taxes, could adversely affect our collection and disposal operations. Congress is currently working on legislation to control and reduce emissions of greenhouse gases in the United States, which includes establishing cap-and-trade programs. Additionally, the EPA recently announced proposed regulations to control emissions of greenhouse gases from stationary sources, including municipal solid waste landfills, and several states have already begun taking actions to reduce future emissions of greenhouse gases. Depending on the form of legislation and regulations that are ultimately enacted, our operating expenses could increase and some of our operations could be less profitable, as we may be required to take any number of actions, including the purchase of emission allowances or installation of additional pollution control technology.

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

The price and supply of fuel are unpredictable, and can fluctuate significantly based on international, political and economic circumstances, as well as other factors outside our control, such as actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, regional production patterns, weather conditions and environmental concerns. We saw average quarterly diesel fuel prices increase by 50% in the third quarter of 2008 as compared to the third quarter of 2007 and decrease by 40% in the third quarter of 2009 as compared to the third quarter 2008. We need fuel to run our collection and transfer trucks and equipment used in our landfill operations. Supply shortages could substantially increase our operating expenses. Additionally, as fuel prices increase, our direct operating expenses increase and many of our vendors raise their prices as a means to offset their own rising costs. We have in place a fuel surcharge program, designed to offset increased fuel expenses; however, we may not be able to pass through all of our increased costs and some customers' contracts prohibit any pass through of the increased costs. We may initiate other programs or means to guard against the rising costs of fuel, although there can be no assurances that we will be able to do so or that such programs will be successful. Regardless of any offsetting surcharge programs, the increased operating costs will decrease our operating margins.

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

The amount of insurance we are required to maintain for environmental liability is governed by statutory requirements. We believe that the cost for such insurance is high relative to the coverage it would provide, and therefore, our coverages are generally maintained at the minimum statutorily required levels. We face the risk of

incurring additional costs for environmental damage if our insurance coverage is ultimately inadequate to cover those damages. We also carry a broad range of insurance coverages that are customary for a company our size. We use these programs to mitigate risk of loss, thereby allowing us to manage our self-insurance exposure associated with claims. 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.

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

In addition, to fulfill our financial assurance obligations with respect to environmental closure and post-closure obligations, we generally obtain letters of credit or surety bonds, rely on insurance, including captive insurance, fund trust and escrow accounts or rely upon parent company financial guarantees. We currently have in place all financial assurance instruments necessary for our operations. We do not anticipate any unmanageable difficulty in obtaining financial assurance instruments in the future, although general economic factors may adversely affect the cost of our current financial assurance instruments. 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 revenues will fluctuate based on changes in commodity prices.

Our recycling operations process for sale certain recyclable materials, including fibers, aluminum and glass, all of which are subject to significant market price fluctuations. The majority of the recyclables that we process for sale are paper fibers, including old corrugated cardboard, known as OCC, and old newsprint, or ONP. The fluctuations in the market prices or demand for these commodities can affect our operating income and cash flows. In the fourth quarter of 2008, the monthly market prices for OCC and ONP fell by 79% and 72%, respectively, from their high points within the year. The decline in market prices for commodities resulted in a year-over-year decrease in revenue of \$482 million for the nine months ended September 30, 2009. 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 and in some circumstances, the rebates may have floors even as market prices decrease, which could eliminate any expected profit margins.

Additionally, there may be significant price fluctuations in the price of methane gas, electricity and other energy related products that are marketed and sold by our landfill gas recovery, waste-to-energy and independent power production plant operations. The marketing and sales of energy related products by our landfill gas and waste-to-energy operations have historically been pursuant to long-term sales agreements and market volatility has not caused our quarterly results to fluctuate significantly. However, many of our waste-to-energy longer-term agreements

have recently expired and our revenues have been adversely affected as the electricity prices we charge without the benefit of long-term agreements are tied to natural gas prices. For the nine months ended September 30, 2009, we experienced a \$58 million decline in revenues as

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compared to the prior year period due to fluctuations in rates charged under our electricity sales, due to lower natural gas prices.

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

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

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

Labor unions constantly make attempts to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees have already chosen to be represented by unions, and we have negotiated collective bargaining agreements with some of the groups. Additional groups of employees may seek union representation in the future, and, if successful, the negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income. Considerable attention has been focused on proposed legislation that could amend the National Labor Relations Act that would make it easier for unions to become recognized as the bargaining representatives for employees. Depending on the form of legislation, if any, that is ultimately enacted, it is reasonably possible that our operating expenses would increase as a result of the provisions of such legislation. If we are unable to negotiate acceptable collective bargaining agreements, or future legislation requires us to submit the terms of employment to binding arbitration in the event an agreement can not be reached in a timely manner, our operating expenses could increase significantly as a result of work stoppages, including strikes, or unfavorable terms in such agreements that result from arbitration. Any of these matters could adversely affect our financial condition, results of operations and cash flows.

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

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

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

We may experience problems with either the operation of our current information technology systems or the development and deployment of new information technology systems that could adversely affect, or even temporarily disrupt, all or a portion of our operations until resolved. We encountered problems with the revenue management application that we had been piloting throughout 2007, resulting in the termination of the pilot, which has impeded our ability to realize improved operating margins as a result of a new system. 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.

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

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

Unforeseen circumstances could result in a need for additional capital.

We currently expect to meet our anticipated cash needs for capital expenditures, scheduled debt repayments, acquisitions and other cash expenditures with our cash flows from operations and the proceeds from the offering of the notes. Recent economic conditions have reduced our cash flows from operations. If the impact on our cash flows from operations continues and is significant, we may need to reduce capital expenditures, acquisition activity, dividend declarations or share repurchases unless we are able to incur additional indebtedness to either pay for these activities or refinance our scheduled debt maturities. We may also use our revolving credit facility to meet our cash needs, to the extent available. As of September 30, 2009, we had \$768 million of capacity under our revolving credit facility.

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 the lenders party to those agreements, any such default would have a material adverse effect on our ability to continue operations.

USE OF PROCEEDS

We expect the net proceeds from the offering of the notes to be \$ million, after deducting discounts and commissions to the underwriters and estimated expenses of the offering that we will pay. We intend to use a portion of the net proceeds to fund our purchase of a 40% equity investment in Shanghai Environment Group for approximately \$140 million, which is subject to normal regulatory approval and is expected to be approved in early 2010. We are actively pursuing other acquisitions and investment opportunities in our waste-to-energy and solid waste businesses and expect to spend up to an additional \$350 million over the next six months from the proceeds of this offering on such acquisitions and investments. All remaining proceeds will be used for general corporate purposes, including additions to working capital, capital expenditures and the funding of other potential acquisitions and investments in businesses. Pending application of the offering proceeds as described, we may temporarily invest the proceeds in short-term investments. To the extent that any of the acquisitions or investments described do not ultimately close, the related portion of the proceeds from the offering will be used for general corporate purposes, including additions to working capital, capital expenditures and the funding of other potential acquisitions and investments in businesses.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and consolidated capitalization as of September 30, 2009 and as adjusted to give effect to the offering of the notes prior to the application of any portion of the net proceeds to fund the particular equity investment described under "Use of Proceeds" or any other uses described therein.

It is important that you read the following information along with the consolidated financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information."

	September 30, 2009	
	Actual	As Adjusted
	(Dollars in millions)	
Cash and Cash Equivalents(a)	\$ 612	\$
Debt:		
Revolving credit facility(b)	\$	\$
Canadian credit facility (weighted average interest rate of 2.0% at September 30, 2009)(c)	269	269
Senior notes and debentures		
Maturing through 2032, interest rates ranging from 5.0% to 7.75% (weighted average interest rate of 6.9% at September 30, 2009)	4,884	4,884
% Senior Notes due 2039 offered hereby		
Tax-exempt bonds maturing through 2039, fixed and variable interest rates ranging from 0.2% to 7.4% (weighted average interest rate of 3.6% at September 30, 2009)(d)	2,649	2,649
Tax-exempt project bonds, principal payable in periodic installments, maturing through 2029, fixed and variable interest rates ranging from 0.3% to 9.3% (weighted average interest rate of 4.4% at September 30, 2009)(e)	194	194
Capital leases and other, maturing through 2050, interest rates up to 12%	250	250
Total Debt	\$ 8,246	\$
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	4,534	4,534
Retained earnings	5,880	5,880
Accumulated other comprehensive income	178	178
Treasury stock at cost, 139,719,246 shares	(4,382)	(4,382)
Total Waste Management, Inc. stockholders' equity	6,216	6,216
Noncontrolling interests	305	305
Total equity	6,521	6,521

Total debt and equity \$ 14,767 \$

- (a) Cash and Cash Equivalents, as adjusted, reflects an increase of the entire net proceeds from this offering, prior to the application of any portion of such proceeds to fund the particular equity investment described in Use of Proceeds or any other use described therein.
- (b) We are party to a \$2.4 billion revolving credit facility that matures on August 17, 2011.

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- (c) Waste Management of Canada Corporation, our wholly owned subsidiary, is party to a Cdn \$340 million credit facility with a maturity of November 2012 that is guaranteed by Waste Management, Inc. and WM Holdings.
- (d) We issue both fixed and floating rate tax-exempt bonds as a means of low-cost financing for capital expenditures. The proceeds from the issuances may only be used for the specific purpose for which the funds were raised, which is generally to finance expenditures for landfill construction and development, equipment, vehicles and facilities in support of our operations.
- (e) Tax-exempt project bonds are used primarily by our Wheelabrator Group, which owns and operates waste-to-energy facilities and independent power production plants, to finance the development of the waste-to-energy facilities.

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DESCRIPTION OF NOTES

The notes wi