

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

WASTE MANAGEMENT INC
Form S-3
August 06, 2002

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 6, 2002.

REGISTRATION NO. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

WASTE MANAGEMENT, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

73-1309529
(I.R.S. Employer
Identification No.)

1001 FANNIN STREET, SUITE 4000
HOUSTON, TEXAS 77002
(713) 512-6200
(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

DAVID P. STEINER
SENIOR VICE PRESIDENT, GENERAL COUNSEL & SECRETARY
1001 FANNIN STREET, SUITE 4000
HOUSTON, TEXAS 77002
(713) 512-6200
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time
to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the following
box. ☐

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, other than securities offered only in connection with dividend or interest
reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following box
and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE(1)

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE(2)	AMOUNT OF REGISTRATION FE
Debt Securities.....		
Common Stock, par value \$0.01 per share(3).....		
Guarantees of Debt Securities(4).....	\$1,868,070,886	\$171,862

- (1) Pursuant to Rule 457(o) and the Note to Form S-3, both the Amount to be Registered and the Proposed Maximum Offering Price per Unit have been omitted.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) and exclusive of accrued interest, distributions and dividends, if any. Pursuant to Rule 429 under the Securities Act of 1933, as amended, the prospectus included herein relates to \$1,868,070,886 of securities registered under Registration Statement No. 333-80063, the registration fee for which has been previously paid to the Commission. If any such previously registered securities are offered prior to the effective date of this registration statement, the amount of such securities will not be included in any prospectus hereunder. The remaining securities registered under Registration Statement No. 333-80063, which are being carried forward to this registration statement, represent the maximum amount of securities that are expected to be offered for sale. The aggregate principal amount of the debt securities may be increased if any debt securities are issued at an original issue discount by an amount such that the offering price to be received by the registrant shall be equal to the above amount to be registered.
- (3) Includes shares of common stock that may be issued by Waste Management, Inc. upon conversion of debt securities and an indeterminate number of shares of common stock that may become issuable as a result of anti-dilution adjustments.
- (4) We are also registering guarantees Waste Management Holdings, Inc. may have with respect to debt securities that we may issue. No separate consideration will be received for the guarantees. See inside facing page for information on the additional registrant guarantor.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a) MAY DETERMINE.

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

TABLE OF ADDITIONAL REGISTRANT GUARANTORS

EXACT NAME AS SPECIFIED IN ITS CHARTER -----	STATE OR OTHER JURISDICTION OF INCORPORATION OF ORGANIZATION -----	IRS EMPLOYER IDENTIFICATION NUMBER -----	ADDRESS INCLUDING CODE AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICE -----
Waste Management Holdings, Inc.....	Delaware	36-2660763	1001 Fannin St Suite 4000 Houston, Texas (713) 512-62

SUBJECT TO COMPLETION, DATED AUGUST 6, 2002
PROSPECTUS

\$1,868,070,886

WASTE MANAGEMENT, INC.

DEBT SECURITIES

(AS MAY BE FULLY AND UNCONDITIONALLY GUARANTEED,
AS DESCRIBED HEREIN, BY WASTE MANAGEMENT HOLDINGS, INC.)

COMMON STOCK

We may offer from time to time:

- Debt securities, whether or not guaranteed by Waste Management Holdings, Inc.
- Shares of our common stock

Our shares of common stock are listed on the New York Stock Exchange under the symbol "WMI."

CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 2.

We will provide a prospectus supplement each time we issue the securities covered by this prospectus. The prospectus supplement will provide specific information about the terms of that offering and also may add, update or change information contained in this prospectus.

You should read this prospectus and the related prospectus supplement carefully before you invest in our securities. This prospectus may not be used to offer and sell our securities unless accompanied by a prospectus supplement.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2002.

WHERE TO FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-3 (Reg. No. 333-) with respect to the securities we are offering. This prospectus does not contain all the information contained in the registration statement, including its exhibits and schedules. You should refer to the registration statement, including the exhibits and schedules, for further information about us and the securities we are offering. Statements we make in this prospectus about certain contracts or other documents are not necessarily complete. When we make such statements, we refer you to the copies of the contracts or documents that are filed as exhibits to the registration statement, because those statements are qualified in all respects by reference to those exhibits. The registration statement, including exhibits and schedules, is on file at the offices of the Commission and may be inspected without charge. We file annual, quarterly and current reports, proxy statements and other information with the Commission. Our Commission filings, including the registration statement, are available to the public over the Internet at the Commission's web site at <http://www.sec.gov>. You can also read and copy any document we file at:

- the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and
- the regional offices of the Commission located at:
 - 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and
 - 233 Broadway, New York, New York 10279.

Please call the Commission at 1-800-SEC-0330 for more information about the public reference facilities.

You can also inspect material filed by us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which shares of our common stock are listed.

We are incorporating by reference in this prospectus some information we file with the Commission. This means that we are disclosing important information to you by referring you to those documents. Specifically, we incorporate by reference the documents set forth below that we have previously filed with the Commission:

COMMISSION FILINGS (FILE NO. 1-12154)	PERIOD/DATE
-----	-----
- Annual Report on Form 10-K.....	Year ended December 31, 2001
- Quarterly Reports on Form 10-Q.....	Quarters ended March 31, 2002 and June 30, 2002
- Current Report on Form 8-K.....	March 22, 2002
- Proxy Statement for the 2002 Annual Meeting of Stockholders.....	May 17, 2002

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

We also incorporate by reference the information contained in any future filings made with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act until we sell all of the securities covered by this prospectus, which information will be deemed to automatically update and supersede this information.

YOU MAY REQUEST A COPY OF THESE FILINGS AT NO COST, BY WRITING OR TELEPHONING US AT THE FOLLOWING ADDRESS:

WASTE MANAGEMENT, INC.
1001 FANNIN STREET, SUITE 4000
HOUSTON, TEXAS 77002
(713) 512-6200
ATTN: CORPORATE SECRETARY

In this prospectus, the terms "our," "we," "us," "Waste Management," and similar terms refer to Waste Management, Inc. and include all of our consolidated subsidiaries unless the context requires otherwise. When we use "Waste Management Holdings" or "guarantor," we are referring to our wholly-owned subsidiary and the additional registrant guarantor, Waste Management Holdings, Inc. The term "you" refers to a holder of securities offered by means of this prospectus.

OUR COMPANY

Waste Management is its industry's leading provider of integrated waste services in North America. Through our subsidiaries, we provide collection, transfer, recycling and resource recovery, and disposal services. We are also a leading developer, operator and owner of waste-to-energy facilities in the United States. Our customers include commercial, industrial, municipal and residential customers, other waste management companies, governmental entities and independent power market participants.

In the past, our primary growth strategy was to purchase revenue through acquisitions. However, we are now working on becoming a company of operational excellence by focusing on our new business strategy. This strategy is designed to emphasize internal growth and enable us to meet our continuing objective of operational excellence. The key points to our strategy include:

Local Market Business Integration. We are creating integrated local business strategies for all of our lines of operations, including collection, disposal (including waste-to-energy plants), transfer and recycling, with the goal of improving the utilization of our asset base;

Service Excellence. We are designing and implementing new procedures to better meet our customers' requirements;

Procurement. We are implementing a procurement and sourcing process that will leverage our size and total purchasing ability to realize savings and discounts through consolidation and reduction of the number of suppliers we use;

Information Technology. We are continuing to improve system processes and capabilities needed to transition our entire company to our business model of operational excellence;

People Performance Management. We are aligning our incentive compensation with our strategies and guiding changes in our corporate culture;

Safety, Ethics and Compliance. We are committed to providing a safe workplace for all employees and are creating a compliance culture in which abidance with laws and regulations and focus on integrity are the key factors;

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

Price/Revenue Management. We are improving our pricing analysis capabilities and developing and implementing new revenue management systems;

Sales Force Effectiveness. We are providing tools, leadership and incentives throughout our company that are designed to enable our sales force to improve its effectiveness and increase revenue; and

Financing. We are utilizing a significant portion of our free cash flow to repurchase common stock as a means of enhancing stockholder value.

In March 2002, we announced our plan to adopt a new organizational structure to support our business strategy. The new structure is designed to make us more market-based and customer driven, thereby aligning our organizational structure with our strategy. The new structure aligns the decision-making, staff support and operations of the field with metropolitan statistical areas that closely parallel the generation, transport and movement of solid waste in the United States. We believe that our new structure will improve our business by optimizing our resources, assets and people to lower our cost structure.

Our executive offices and the executive offices of Waste Management Holdings, Inc., are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002, and our telephone number is (713) 512-6200.

1

RISK FACTORS

In addition to the information set forth in this prospectus, you should carefully consider the risks described below and in the accompanying prospectus supplement before making an investment in the securities offered. The risks described below are not the only ones facing us. There may be additional risks not presently known to us or that we currently deem immaterial which may also impair our business operations.

WE COULD BE LIABLE FOR ENVIRONMENTAL DAMAGES RESULTING FROM OUR OPERATIONS

We could be liable if our operations cause environmental damage to our properties or to nearby landowners, particularly as a result of the contamination of drinking water sources 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
- citizen groups, adjacent landowners or governmental agencies oppose the issuance of a permit or approval we need, allege violations of the

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

permits under which we operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage.

The adverse outcome of one or more of these proceedings could have a material adverse effect on our financial condition, results of operations and cash flows.

From time to time, we have received citations or notices from governmental authorities that our operations are not in compliance with our permits or certain applicable environmental or land use laws and regulations. In the future we may receive additional citations or notices. We generally seek to work with the authorities to resolve the issues raised by such citations or notices. However, we cannot guarantee that we will always be successful in this regard. Where we are not successful, we may incur fines, penalties or other sanctions that could have a material adverse effect on our financial condition, results of operations and cash flows.

Our insurance for environmental liability meets or exceeds statutory requirements. However, because we believe that the cost for such insurance is high relative to the coverage it would provide, our coverages are generally maintained at statutorily required levels. Due to the limited nature of our insurance coverage for environmental liability, if we were to incur liability for environmental damage, such liability could have a material adverse effect on our financial condition, results of operations and cash flows.

In addition, to fulfill our financial assurance obligations with respect to environmental closure and post-closure liabilities, we generally obtain letters of credit or surety bonds, or rely on insurance, including captive insurance. We currently have in place all necessary financial assurance instruments, and we do not anticipate any difficulties obtaining financial assurance instruments in the future. However, in the event we are unable to obtain sufficient surety bonding, letters of credit or third-party insurance coverage at reasonable cost, or one or more states cease to view captive insurance as adequate coverage, we would need to rely on other forms of financial assurance. These types of financial assurance could be more expensive to obtain, which could negatively impact our liquidity and capital resources.

2

GOVERNMENTAL REGULATIONS MAY RESTRICT OUR OPERATIONS OR INCREASE OUR COSTS OF OPERATIONS

Stringent government regulations at the federal, state 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 the siting and construction of new waste disposal, transfer or processing facilities or the expansion of existing facilities;
- limitations and regulations 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.

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

Regulations also affect the siting, design and closure of landfills and could require us to undertake investigatory or remedial activities, curtail operations or close a landfill 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.

OUR ACCOUNTING POLICIES CONCERNING UNAMORTIZED CAPITALIZED EXPENDITURES COULD RESULT IN A MATERIAL CHARGE AGAINST OUR EARNINGS

In accordance with generally accepted accounting principles, we capitalize certain expenditures and advances relating to acquisitions, pending acquisitions, and disposal site development and expansion projects. We expense indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, as incurred. Our policy is to charge against earnings any unamortized capitalized expenditures and advances relating to any facility or operation that is permanently shut down and determined to be impaired, any pending acquisition that is not consummated and any disposal site development or expansion project that is not completed and determined to be impaired. The charge against earnings is reduced by any portion of the capitalized expenditure and advances that we estimate will be recoverable, through sale or otherwise. In future periods, we may be required to incur charges against earnings in accordance with our policy. Depending on the magnitude, any such charges could have a material adverse effect on our results of operations.

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 disposal, such as recycling and composting. In addition, state and local governments mandate recycling and waste reduction at the source and prohibit the disposal of certain types of wastes, such as yard wastes, at landfills or waste-to-energy facilities. Although such mandates can be a useful tool to protect our environment, these developments could 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 BUSINESS IS SEASONAL IN NATURE AND OUR REVENUES AND RESULTS VARY FROM QUARTER TO QUARTER

Our operating revenues are usually lower in the winter months, primarily because the volume of waste relating to construction and demolition activities usually increases in the spring and summer months, and the volume of industrial and residential waste in certain regions where we operate usually decreases during

3

the winter months. Our first and fourth quarter results of operations typically reflect this seasonality. In addition, particularly harsh weather conditions may result in the temporary suspension of certain of our operations.

FLUCTUATIONS IN COMMODITY PRICES AFFECT OUR OPERATING REVENUES

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

Our recycling operations process for sale certain recyclable materials such as paper, plastics, aluminum and other commodities, all of which are subject to significant price fluctuations. 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 plants operations. These fluctuations may affect our future operating income and cash flows.

WE FACE UNCERTAINTIES RELATING TO PENDING LITIGATION AND INVESTIGATIONS

On three different occasions during July and August 1999, we lowered our expected earnings per share for the three months ended June 30, 1999. More than 30 lawsuits that claim to be based on our 1999 announcements have been filed against us and some of our current and former officers and directors. These lawsuits, which have been consolidated into one action, assert various claims under the federal securities laws, including claims that (1) the projections we made about our June 30, 1999 earnings were false and misleading, (2) we failed to disclose information about our earnings projections that would have been important to purchasers of our stock, (3) we made further misrepresentations after July 29, 1999 about our operations and finances, resulting in our company taking a pre-tax charge of \$1.76 billion in the third quarter of 1999, and (4) we made false or misleading representations in the registration statement and prospectus filed with the SEC in connection with our July 1998 acquisition of Waste Management Holdings. The plaintiffs also claim that certain of our current and former officers and directors sold their common stock during times when they knew the price was artificially inflated by the alleged misstatements and omissions.

On November 7, 2001, we announced that we had reached a settlement agreement with the plaintiffs in this case, resolving all claims against us as well as claims against our current and former officers and directors. The agreement provides for a payment of \$457 million to members of the class and for us to consent to the certification of a class for the settlement of purchasers or acquirers of our securities from June 11, 1998 through November 9, 1999. Additionally, as part of the settlement agreement, in May 2002 our stockholders approved an amendment to our certificate of incorporation so that all of our directors are elected annually. A hearing was held April 29, 2002 at which the settlement was approved. The settlement approval is still subject to any appeals that may be filed within thirty days of the approval becoming final. There is currently a motion to vacate pending before the court, and the appeal period will begin to run once that motion has been decided.

Other lawsuits relating to the facts described above, and the February 1998 restatements by Waste Management Holdings of its prior-period financial statements, including purported class actions, have been filed against Waste Management Holdings and us. These include lawsuits brought by individuals who purchased our stock or stock of Waste Management Holdings, sold businesses or assets to us or Waste Management Holdings, or held their stock allegedly in reliance on statements we made. For a more detailed discussion of our current litigation, see Note 8, "Commitments and Contingencies" to our Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the period ended June 30, 2002 incorporated by reference herein.

We and some of our subsidiaries are also currently involved in other civil litigation and governmental proceedings relating to the conduct of our business. We cannot predict or determine the outcome or resolution of all of the proceedings brought against us or our subsidiaries. In addition, the timing of the final resolutions to these matters is uncertain. The possible outcomes or resolutions to these matters or any new litigation or governmental proceedings could include judgments against us or settlements, either of

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

which could require substantial payments by us and thus could have a material adverse effect on our financial condition, results of operations and cash flows.

INTENSE COMPETITION COULD REDUCE OUR PROFITABILITY

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

WE FACE POTENTIAL DIFFICULTIES IMPLEMENTING OUR NEW ORGANIZATIONAL PLAN AND MANAGING OUR PAST GROWTH

In March 2002, we announced our plan to adopt a new organizational structure. This structure changes the way in which our field operations are set up and reduces the staffing levels in the field. The new structure aligns the decision-making, staff support and operations of our field operations with metropolitan statistical areas that closely parallel the generation, transport and movement of solid waste in the United States. We believe that the new structure will improve our business by optimizing our resources, assets and people to lower our cost structure and add value for our stockholders. However, there can be no assurance that implementation of our plan will be without disruption to our operations or that the new structure will result in the benefits anticipated. For a more detailed discussion of our new organizational structure, see Note 25, "Subsequent Events" to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2001 incorporated by reference herein.

In recent years, we have made a number of acquisitions, some of them substantial. Our future financial results and prospects depend in part on our ability to successfully manage and improve the operating efficiencies and productivity of these acquired operations. In particular, whether the anticipated benefits of our acquired operations are ultimately achieved will depend on a number of factors, including our ability to achieve administrative cost savings, rationalization of collection routes, insurance and bonding cost reductions, general economies of scale and our ability, generally, to capitalize on our asset base and strategic position. Our acquisitions also involve the potential risk that we failed to accurately assess all of the pre-existing liabilities of the companies acquired.

EFFORTS BY LABOR UNIONS TO ORGANIZE OUR EMPLOYEES COULD DIVERT MANAGEMENT ATTENTION AND INCREASE OUR OPERATING EXPENSES

Labor unions constantly make attempts to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees have chosen to be represented by unions, and we have negotiated collective bargaining agreements with some of the groups. We cannot predict which, if any, groups of employees may seek union representation in the future or the outcome of collective bargaining. The negotiation of these 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, we might have to wait through "cooling off" periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

type and duration of such work stoppages, our operating expenses could increase significantly, which could adversely affect our financial condition, results of operations and cash flows.

FLUCTUATIONS IN FUEL COSTS COULD AFFECT OUR OPERATING EXPENSES AND RESULTS

The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil

5

and gas producers, war and unrest in oil producing countries, regional production patterns and environmental concerns. Fuel is needed to run our collection and transfer trucks, and any price escalations or reductions in the supply could increase our operating expenses and have a negative impact on our consolidated financial condition, results of operations and cash flows. We have implemented a fuel surcharge to partially offset increased fuel costs. However, we are not always able to pass through all of the increased fuel costs due to the terms of certain customers' contracts.

WE FACE RISKS RELATING TO GENERAL ECONOMIC CONDITIONS

We face risks related to general economic and market conditions, including the potential impact of the status of the economy and interest rate fluctuations. We also face risks related to other adverse external economic conditions, such as the ability of our insurers to timely meet their commitments and the effect that significant claims or litigation against insurance companies may have on such ability. Any negative general economic conditions could materially adversely affect our financial condition, results of operation and cash flows.

WE MAY NEED ADDITIONAL CAPITAL IF OUR CASH FLOW IS LESS THAN EXPECTED

We currently expect to generate sufficient cash flow from operations to cover our anticipated cash needs for capital expenditures, acquisitions and other cash expenditures. However, in February 2002 we announced a stock buy back program of up to \$1 billion annually, and we expect to fund the settlement of our stockholder class action lawsuit in late 2002. If our cash flow from operations is less than currently expected, or our capital requirements increase, either due to strategic decisions or otherwise, or if we buy back stock such that our available cash is reduced, we may elect to incur further indebtedness or issue equity securities to cover any additional capital needs. However, we cannot guarantee that we will be successful in obtaining additional capital on acceptable terms. Our credit facilities require us to comply with certain financial ratios. If our cash flows are less than expected or our capital requirements are more than expected, we may not be in compliance with the ratios. This would result in a default under our credit agreements. If there were a default, we may not be able to obtain waivers or amendments to our credit facilities, and the lenders could choose to declare all outstanding borrowings due and payable. If that happened, there can be no assurances that we could fully repay the amounts due. Since we are partially dependent on our credit facilities to fund borrowing and bonding needs, any default would have a material adverse effect on our consolidated financial condition, results of operation and cash flows.

WE MAY ENCOUNTER DIFFICULTIES WITH OUR ENTERPRISE SOFTWARE

We have recently deployed enterprise-wide software systems that replaced our previous financial, human resources and payroll systems. These systems may contain errors or cause other problems that could adversely affect, or even

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

temporarily disrupt, all or a portion of our operations until resolved.

POTENTIAL EFFECT OF CERTAIN ANTI-TAKEOVER PROVISIONS

Certain provisions of our Certificate of Incorporation and Bylaws may make it more difficult for a third party to acquire us in a transaction that is not approved by our Board of Directors. For example, our Board of Directors has the power to issue up to 10,000,000 shares of our preferred stock in one or more series, and to fix the rights and preferences of any series, without further authorization by the holders of our common stock. This provision is designed to permit us to develop our businesses and foster our long-term growth without the disruption caused by the threat of a takeover that our Board of Directors does not think is in our best interests or in the best interests of our stockholders. Also, third parties may be discouraged from making a tender offer or otherwise attempting to gain control of us even though the attempt might be beneficial economically to us and our stockholders.

6

FRAUDULENT TRANSFER STATUTES MAY LIMIT YOUR RIGHTS UNDER THE GUARANTEES OF THE DEBT SECURITIES

Our obligations under the debt securities may be guaranteed by Waste Management Holdings, our wholly owned subsidiary. The guarantees may be subject to review under various laws for the protection of creditors. It is possible that the creditors of Waste Management Holdings may challenge the guarantees as fraudulent transfers under relevant federal and state laws, by claiming, for example, that, since a guarantee was incurred for the benefit of Waste Management (and only indirectly, if at all, for the benefit of Waste Management Holdings), the obligations of the guarantor were incurred for less than reasonably equivalent value or fair consideration. Under certain circumstances, including a finding that Waste Management Holdings was insolvent at the time its guarantees were issued, a court could hold that the obligations of Waste Management Holdings under the guarantees may be voided or are subordinate to other obligations of Waste Management Holdings or that the amount for which Waste Management Holdings is liable under its guarantees of the debt securities may be limited. Different jurisdictions define "insolvency" differently. However, Waste Management Holdings generally would be considered insolvent at the time it guaranteed the debt securities if (1) the fair market value (or fair saleable value) of its assets is less than the amount required to pay its total existing debts and liabilities (including the probable liability on contingent liabilities) as they become absolute or matured or (2) Waste Management Holdings were incurring debts beyond its ability to pay as such debts mature. We cannot assure you as to what standard a court would apply in order to determine whether Waste Management Holdings was "insolvent" as of the date the debt securities were guaranteed, and we cannot assure you that, regardless of the method of valuation, a court would not determine that Waste Management Holdings were insolvent on that date. Nor can we assure you that a court would not determine, regardless of whether Waste Management Holdings were insolvent on the date the guarantees were issued, that the guarantees constituted fraudulent transfers on another ground.

In an attempt to limit the applicability of fraudulent transfer laws, the guarantees will limit the amount of the guarantees of Waste Management Holdings to the amount that will result in the guarantees not constituting fraudulent transfers or improper corporate distributions, but we cannot be certain which standard a court would apply in making a determination regarding the maximum liability of Waste Management Holdings.

FORWARD-LOOKING STATEMENTS

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

When we make statements (i) containing projections about our accounting and finances, (ii) about our plans and objectives for the future, (iii) on our future economic performance, (iv) containing any other projections or estimates about our assumptions relating to the statements in clauses (i)-(iii), we are making forward-looking statements. This prospectus, including the information incorporated by reference, contains forward-looking statements. These statements usually relate to future events and anticipated revenues, earnings or other aspects of our operations or operating results. We make these statements in an effort to keep stockholders and the public informed about our business, and have based them on our current expectations about future events. You should view such statements with caution. These statements are not guarantees of future performance or events. All phases of our business are subject to uncertainties, risks and other influences, many of which we have no control over. 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 statements as a result of future events or developments unless otherwise required by the securities laws.

Outlined above under the caption "Risk Factors" are some of the risks that we face and that could affect our business and financial statements for 2002 and beyond. However, they are not the only risks that we face. There may be additional risks that we do not presently know of or that we currently believe are immaterial which could also impair our business. We do not intend to update the risk factors in this prospectus unless the securities laws require us to do so.

7

USE OF PROCEEDS

Except as otherwise described in any prospectus supplement, we will use the net proceeds from the sale of our debt securities or common stock for general corporate purposes. These purposes may include funding working capital requirements, capital expenditures, repayment and refinancing of indebtedness and repurchases and redemptions of our securities. We will determine any specific allocation of the net proceeds of an offering to a specific purpose at the time of such offering and will describe the specific allocation in the related prospectus supplement. The net proceeds of any offerings under this prospectus may initially be invested in short-term marketable securities pending their ultimate application.

We may also issue shares of our common stock to settle litigation and other claims or to satisfy judgments or arbitration awards. We will not receive any cash proceeds from these issuances but will eliminate an actual or potential liability.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for the periods shown:

YEARS ENDED DECEMBER 31,					SIX MONTHS
-----					ENDED JUNE 30,
1997	1998	1999	2000	2001	2002
----	----	----	----	----	-----
N/A(1)	N/A(2)	N/A(3)	1.4x	2.2x	3.1x

-
- (1) Earnings were insufficient to fund fixed charges in 1997. Additional earnings of \$660.4 million were necessary to cover fixed charges for this period. The earnings available for fixed charges were negatively impacted by merger costs of \$112.7 million (primarily related to the United Waste Systems, Inc. merger in August 1997), and asset impairments and unusual items of \$1.8 billion. The asset impairment and unusual items of \$1.8 billion primarily related to a comprehensive review performed by Waste Management Holdings of its operating assets and investments.
 - (2) Earnings were insufficient to fund fixed charges in 1998. Additional earnings of \$720.4 million were necessary to cover fixed charges for this period. The earnings available for fixed charges were negatively impacted by merger costs of \$1.8 billion and unusual items of \$864.1 million related primarily to the mergers between Waste Management and Waste Management Holdings in July 1998, and Waste Management and Eastern Environmental Services, Inc. in December 1998.
 - (3) Earnings were insufficient to fund fixed charges in 1999. Additional earnings available for fixed charges of \$173 million were needed to cover fixed charges for this period. The earnings available for fixed charges were negatively impacted by merger costs of \$45 million primarily related to the merger between Waste Management and Waste Management Holdings during July 1998 and asset impairments and unusual items of \$739 million primarily related to losses on businesses sold and held-for-sale adjustments for businesses to be sold and, to a lesser extent, asset impairments related to landfill sites and other operating assets due to abandonment and closures of facilities, denials and permits, regulatory problems and a more stringent criteria used by Waste Management in determining the probability of landfill expansions.

We computed our consolidated ratios of earnings to fixed charges by dividing earnings available for fixed charges by fixed charges. For this purpose, earnings available for fixed charges are the sum of income available for fixed charges before income taxes, undistributed earnings from affiliated companies' minority interests, cumulative effect of accounting changes, and fixed charges, excluding capitalized interest. Fixed charges are interest, whether expensed or capitalized, amortization of debt expense and discount on premium relating to indebtedness, and such portion of rental expense that can be demonstrated to be representative of the interest factor in the particular case.

DESCRIPTION OF DEBT SECURITIES

The debt securities will constitute either our senior debt, or "senior debt securities," or our subordinated debt, or "subordinated debt securities." Debt securities may be issued from time to time under one or more indentures, each dated as of a date on or prior to the issuance of the debt securities to which it relates. Senior debt securities and subordinated debt securities may be issued pursuant to separate indentures, respectively, a "Senior Debt Indenture" and a "Subordinated Debt Indenture."

We have previously entered into a Senior Debt Indenture dated as of September 10, 1997 with Texas Commerce Bank National Association, now known as JPMorgan Chase Bank ("JPMorgan Chase"), and a Subordinated Debt Indenture dated as of February 1, 1997 with JPMorgan Chase. Copies of these indentures are filed as exhibits to the Registration Statement of which this prospectus is a part. The Senior Debt Indenture and the Subordinated Debt Indenture, as amended or

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

supplemented from time to time, are sometimes referred to individually as an "Indenture" and collectively as the "Indentures." JPMorgan Chase (and any successors thereto as trustees under the respective Indentures) is referred to as the "Trustee."

The following summaries of actual or anticipated provisions of the Indentures and the debt securities do not purport to be complete and such summaries are subject to the detailed provisions of the applicable Indenture to which reference is hereby made for a full description of such provisions, including the definition of certain terms used herein. Section references in parentheses below are to sections in both Indentures unless otherwise indicated. Wherever particular sections or defined terms of the applicable Indenture are referred to, such sections or defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference. The Indentures are substantially identical, except for certain of our covenants and provisions relating to subordination and conversion.

If provided in a prospectus supplement, Waste Management Holdings will guarantee our obligations under the debt securities on the terms set forth in the prospectus supplement. See "Description of Guarantees." Our operations are conducted through our subsidiaries, and therefore, we are primarily dependent on the earnings and cash flows of our subsidiaries to meet our debt service obligations. The ability of our subsidiaries to make distributions to us is, and will continue to be, restricted by, among other limitations, applicable provisions of the laws of national or state governments and contractual provisions. Our right to participate in the assets of any subsidiary (and thus the ability of holders of our debt securities to benefit indirectly from such assets) is generally subject to the prior claims of creditors, including trade creditors, of that subsidiary, except to the extent that we are recognized as a creditor of such subsidiary, in which case our claims would still be subject to any securities interest of other creditors of such subsidiary. Therefore, except as described herein or in a prospectus supplement, our debt securities will be subordinated by operation of law to creditors, including trade creditors, of our subsidiaries with respect to the assets of the subsidiaries, against which these creditors have a claim. The following description of the debt securities sets forth certain general terms and provisions of the debt securities of all series. The particular terms of each series of debt securities offered by any prospectus supplement will be described therein.

PROVISIONS APPLICABLE TO BOTH SENIOR AND SUBORDINATED DEBT SECURITIES

General. The debt securities will be our unsecured senior or subordinated obligations and may be issued from time to time in one or more series. The Indentures do not limit the amount of debt securities, debentures, notes or other types of indebtedness that we may issue or that any of our subsidiaries may issue. The Indentures do not, other than as may be set forth in any prospectus supplement, restrict transactions between us and our affiliates or the payment of dividends or other distributions by us to our stockholders. The rights of our creditors, including holders of debt securities, will be limited to our assets and will not be an obligation of any of our Subsidiaries (other than any guarantee by Waste Management Holdings). In addition, other than as may be set forth in any prospectus supplement, the Indentures do not and the debt securities will not contain any covenants or other provisions that are intended to afford holders of the debt securities special protection in the event we experience either a change of control or a highly leveraged transaction.

Reference is made to the prospectus supplement for the following terms of and information relating to the debt securities (to the extent such terms are applicable to such debt securities):

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

- the title of the debt securities;
- classification as either senior debt securities or subordinated debt securities;
- any guarantee by Waste Management Holdings of the debt securities;
- whether the debt securities that constitute subordinated debt securities are convertible into common stock and, if so, the terms and conditions upon which such conversion will be effected, including the initial conversion price or conversion rate and any adjustments thereto in addition to or different from those described herein, the conversion period and other conversion provisions in addition to or in lieu of those described herein;
- any limit on the aggregate principal amount of the debt securities;
- whether the debt securities are to be issuable as Registered Securities or Bearer Securities or both, whether any of the debt securities are to be issuable initially in temporary global form and whether any of the debt securities are to be in permanent global form;
- the price or prices (expressed as a percentage of the aggregate principal amount thereof) at which the debt securities will be issued;
- the date or dates on which the debt securities will mature;
- the rate or rates per annum (or the method by which such will be determined) at which the debt securities will bear interest, if any, and the date from which any such interest will accrue;
- the Interest Payment Dates on which any such interest on the debt securities will be payable, the date on which payment of such interest, if any, will commence and the Regular Record Dates for any interest payable on any debt securities which are Registered Securities on any Interest Payment Date and the extent to which, or the manner in which, any interest payable on a temporary global Debt Security on an Interest Payment Date will be paid;
- any mandatory or optional sinking fund or analogous provisions;
- each office or agency where, subject to the terms of the Indentures as described below under "-- Payment and Paying Agents," the principal of and any premium and interest on the debt securities will be payable and each office or agency where, subject to the terms of the Indentures as described below under "-- Form, Exchange, Registration and Transfer," the debt securities may be presented for registration of transfer or exchange;
- our right, if any, or our obligation, if any, to redeem the debt securities and the period or periods, if any, within which and the price or prices at which the debt securities may, pursuant to any optional or mandatory redemption provisions, be redeemed, in whole or in part, and the other detailed terms and provisions of any such optional or mandatory redemption;
- the denominations in which any debt securities which are Registered Securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof, and the denomination or denominations in which any debt securities which are Bearer Securities will be issuable, if other than the denomination of \$5,000;

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

- the currency or currencies (including composite currencies) in which payment of principal of and any premium and interest on the debt securities is payable if other than United States dollars;
- any index used to determine the amount of payments of principal of and any premium and interest on the debt securities;
- information with respect to book-entry procedures, if any;
- any deletions from, modification of or additions to the Events of Default or our covenants with respect to such debt securities; and
- any other terms of the debt securities not inconsistent with the provisions of the Indentures. (Section 301)

Any prospectus supplement will also describe any special provisions for the payment of additional amounts with respect to the debt securities.

10

Debt securities may be issued as Original Issue Discount Securities. An Original Issue Discount Security is a debt security, including any zero-coupon security, which is issued at a price lower than the amount payable upon the Stated Maturity of the security and which provides that upon redemption or acceleration of the maturity of the security an amount less than the amount payable upon the Stated Maturity of the security and determined in accordance with the terms of such debt security shall become due and payable. We will set forth any special United States federal income tax considerations applicable to debt securities issued at an original issue discount, including Original Issue Discount Securities, and special United States tax considerations and other terms and restrictions applicable to any debt securities which are issued in bearer form, offered exclusively to United States aliens or denominated in other than United States dollars, in a prospectus supplement.

Form, Exchange, Registration and Transfer. Debt securities of a series may be issuable in definitive form solely as Registered Securities, solely as Bearer Securities or as both Registered Securities and Bearer Securities. Unless otherwise indicated in an applicable prospectus supplement, Bearer Securities will have interest coupons attached. Debt securities of a series may also be issuable in temporary or permanent global form. (Section 201)

Registered Securities of any series will be exchangeable for other Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. In addition, if debt securities of any series are issuable as both Registered Securities and Bearer Securities, at the option of the Holder, and subject to the terms of the applicable Indenture, Bearer Securities (with all unmatured coupons, except as provided below, and all matured coupons in default) of such series will be exchangeable for Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and tenor. Bearer Securities surrendered in exchange for Registered Securities between a Regular Record Date or a Special Record Date and the relevant date for payment of interest shall be surrendered without the coupon relating to such date for payment of interest. Interest accrued as of such date for payment of interest will not be payable in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the terms of the applicable Indenture. Bearer Securities will not be issued in exchange for Registered Securities. (Section 305)

Debt securities may be presented for exchange, and Registered Securities

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

may be presented for registration of transfer, at the office of the Security Registrar or at the office of any transfer agent designated by us for such purpose with respect to any series of debt securities and referred to in an applicable prospectus supplement. Transfer and exchange will be effected without service charge and upon payment of any taxes and other governmental charges as described in the Indentures. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. Unless otherwise indicated in any prospectus supplement, the Trustee for the series of debt securities will serve as Security Registrar. (Section 305) If a prospectus supplement refers to any transfer agents (in addition to the Security Registrar) initially designated by us with respect to any series of debt securities, we may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that, if debt securities of a series are issuable solely as Registered Securities, we will be required to maintain a transfer agent in each Place of Payment for such series and, if debt securities of a series are also issuable as Bearer Securities, we will be required to maintain (in addition to the Security Registrar) a transfer agent in a Place of Payment for such series located outside the United States. We may at any time designate additional transfer agents with respect to any series of debt securities. (Section 1002)

Title to any Bearer Securities (including Bearer Securities in permanent global form) and any coupons appertaining thereto will pass by delivery. We, the Trustee, our agents and the agents of the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon and the registered holder of any Registered Security as the owner for the purpose of making payment and for all other purposes. (Section 308)

11

In the event of any redemption in part, we shall not be required to:

- issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days prior to the selection of debt securities of that series for redemption and ending on the close of business on:
 - if debt securities of the series are issuable only as Registered Securities, the day of mailing of the relevant notice of redemption; and
 - if debt securities of the series are issuable as Bearer Securities, the date of the first publication of the relevant notice of redemption or, if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption;
- register the transfer of or exchange any Registered Security, or portion thereof, called for redemption, except the unredeemed portion of any Registered Security being redeemed in part; or
- exchange any Bearer Security called for redemption, except to exchange such Bearer Security for a Registered Security of that series and like tenor which is immediately surrendered for redemption. (Section 305)

Replacement of Securities and Coupons. We will replace any mutilated Debt Security or any Debt Security with a mutilated coupon at the expense of the Holder upon surrender of the Debt Security to the Trustee. We will replace debt securities or coupons that become destroyed, stolen or lost at the expense of the Holder upon delivery to the Trustee of the Debt Security and coupons or evidence of destruction, loss or theft thereof satisfactory to us and the

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

Trustee; in the case of any coupon which becomes destroyed, stolen or lost, such coupon will be replaced by issuance of a new Debt Security in exchange for the Debt Security to which such coupon appertains. In the case of a destroyed, lost or stolen Debt Security or coupon, an indemnity satisfactory to the Trustee and to us may be required at the expense of the Holder of such Debt Security or coupon before a replacement Debt Security will be issued. (Section 306)

Payment and Paying Agents. Unless otherwise indicated in an applicable prospectus supplement, payment of principal of and any premium and interest on Bearer Securities will be payable, subject to any applicable laws and regulations, at the offices of such Paying Agents outside the United States as we may designate from time to time, in the manner indicated in such prospectus supplement. (Section 1002) Unless otherwise indicated in an applicable prospectus supplement, payment of interest on Bearer Securities on any Interest Payment Date will be made only against surrender to the Paying Agent of the coupon relating to such Interest Payment Date. (Section 1001) No payment with respect to any Bearer Security will be made at any of our offices or agencies in the United States or by check mailed to any address in the United States or by transfer to any account maintained with a bank located in the United States. Notwithstanding the foregoing, payments of principal of and any premium and interest on Bearer Securities denominated and payable in U.S. dollars will be made at the office of our Paying Agent in the Borough of Manhattan, the City of New York, if (but only if) payment of the full amount thereof in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions. (Section 1002)

Unless otherwise indicated in an applicable prospectus supplement, payment of principal of and any premium and interest on Registered Securities will be made at the office of the Paying Agent or Paying Agents as we may designate from time to time, except that at our option, payment of any interest may be made by check mailed on or before the due date to the address of the Person entitled thereto as such address shall appear in the Security Register. (Rule 307, 1002) Unless otherwise indicated in an applicable prospectus supplement, payment of any installment of interest on Registered Securities will be made to the Person in whose name such Registered Security is registered at the close of business on the Regular Record Date for such interest. (Section 307)

Unless otherwise indicated in an applicable prospectus supplement, the Trustee for the series of debt securities will act as our Paying Agent for payments with respect to debt securities which are issuable solely as Registered Securities and we will maintain a Paying Agent outside the United States for payments with respect to debt securities (subject to limitations described above in the case of Bearer Securities) which are issuable solely as Bearer Securities or as both Registered Securities and Bearer

Securities. Any Paying Agents outside the United States and any other Paying Agents in the United States that we initially designate for the debt securities will be named in an applicable prospectus supplement. We may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that, if debt securities of a series are issuable solely as Registered Securities, we will be required to maintain a Paying Agent in each Place of Payment for such series and, if debt securities of a series are issuable as Bearer Securities, we will be required to maintain (i) a Paying Agent in the Borough of Manhattan, The City of New York for principal payments with respect to any Registered Securities of the series (and for payments with respect to Bearer Securities of the series in the circumstances described above, but not otherwise), and (ii) a Paying Agent in a Place of Payment located outside the United States where debt securities of such series and any coupons appertaining

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

thereto may be presented and surrendered for payment. (Section 1002)

All moneys paid by us to a Paying Agent for the payment of principal of and any premium or interest on any Debt Security which remain unclaimed at the end of two years after such principal, premium or interest shall have become due and payable will (subject to applicable escheat laws) be repaid to us, and the Holder of such Debt Security or any coupon will thereafter look only to us for payment thereof. (Section 1003)

Guarantees. In order to enable us to obtain more favorable interest rates and terms, payment of principal of, premium, if any, and interest on the debt securities may (if so specified in the prospectus supplement) be guaranteed by Waste Management Holdings. See "Guarantees of Debt Securities."

Global Debt Securities. Debt securities of a series may be issued in whole or in part in the form of one or more global debt securities that will be deposited with, or on behalf of, a depository identified in the prospectus supplement relating to such series. Global debt securities may be issued only in fully registered form and in either temporary or permanent form. (Section 203) Unless and until it is exchanged in whole or in part for the individual debt securities represented thereby, a global Debt Security may not be transferred except as a whole by the depository for such global Debt Security to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by the depository or any nominee to a successor depository or any nominee of such successor.

The specific terms of the depository arrangement with respect to a series of debt securities in the form of one or more global debt securities will be described in the prospectus supplement relating to that series.

Satisfaction and Discharge of Indenture. Each Indenture provides that we may discharge the Indenture (except as to any surviving rights of registration of transfer or exchange of debt securities and any right to receive additional amounts) with respect to all debt securities issued under the Indenture, which debt securities have not already been delivered to the Trustee for cancellation and which either have become due and payable or are by their terms due and payable within one year (or are to be called for redemption within one year) by depositing with the Trustee as trust funds an amount sufficient to pay when due the principal of and premium, if any, and interest, if any, on all outstanding debt securities when due. (Section 401)

Defeasance and Discharge. Each Indenture provides that, if we so elect by Board Resolution with respect to the debt securities of any series issued under such Indenture (other than convertible subordinated debt securities), we will be discharged from any and all obligations in respect of the debt securities of such series upon the deposit with the Trustee, in trust, of money and/or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of and premium, if any, and each installment of interest on, the debt securities of such series on the Stated Maturity of such payments in accordance with the terms of such Indenture and the debt securities of such series. (Sections 1302, 1304) In such case, however, we will not be discharged from our obligations under the Indenture relating to: temporary debt securities and exchange of debt securities, registration of transfer or exchange of debt securities of such series, replacement of stolen, lost or mutilated debt securities of such series, maintenance

of paying agencies to hold moneys for payment in trust and payment of additional amounts, if any, required in consequence of United States withholding taxes

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

imposed on payments to non-United States persons. A trust may only be established if, among other things, we have delivered to the Trustee an Opinion of Counsel to the effect that:

- we have received from, or there has been published by, the Internal Revenue Service a ruling, or
- since the date of such Indenture there has been a change in applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge, and will be subject to federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred. (Section 1304) In the event of any such defeasance and discharge of debt securities of such series, Holders of such series would be entitled to look only to such trust fund for payment of principal of and any premium and any interest on their debt securities until Maturity.

Covenant Defeasance. Each Indenture also provides that, if we so elect by Board Resolution with respect to the debt securities of any series issued thereunder, we may omit to comply with certain restrictive covenants, including (in the case of the Senior Debt Indenture) the covenants described under "-- Provisions Applicable Solely to Senior Debt Securities -- Limitation on Liens" and "-- Limitations on Sale and Leaseback Transactions," but excluding (in the case of the Subordinated Debt Indenture) any of our applicable obligations respecting the conversion of debt securities of such series into common stock, and any such omission shall not be an Event of Default with respect to the debt securities of such series, upon the deposit with the Trustee, in trust, of money and/or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any), and each installment of interest on, the debt securities of such series on the Stated Maturity of such payments in accordance with the terms of such Indenture and the debt securities of such series. Our obligations under such Indenture and the debt securities of such series other than with respect to such covenants shall remain in full force and effect. (Section 1303) Such a trust may be established only if, among other things, we have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such series will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amounts and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred. (Section 1304)

Although the amount of money and U.S. Government Obligations on deposit with the Trustee would be intended to be sufficient to pay amounts due on the debt securities of such series at the time of their Stated Maturity, in the event we exercise our option to omit compliance with the covenants defeased with respect to the debt securities of any series as described above, and the debt securities of such series are declared due and payable because of the occurrence of any Event of Default, such amount may not be sufficient to pay amounts due on the debt securities of such series at the time of the acceleration resulting from such Event of Default. We shall in any event remain liable for such payments as provided in the applicable Indenture.

Federal Income Tax Consequences. Under current United States federal income tax law, defeasance and discharge would likely be treated as a taxable exchange of debt securities to be defeased for an interest in the defeasance trust. As a consequence, a holder would recognize gain or loss equal to the difference between the holder's cost or other tax basis for such debt securities

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

and the value of the holder's interest in the defeasance trust, and thereafter would be required to include in income the holder's share of the income, gain or loss of the defeasance trust. Under current United States federal income tax law, covenant defeasance would ordinarily not be treated as a taxable exchange of such debt securities.

Meetings, Modification and Waiver. We and the Trustee may modify and amend either Indenture with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Securities

14

of each series affected by such modification or amendment. However, no such modification or amendment may, without the consent of the Holder of each Outstanding Security affected thereby:

- change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Debt Security;
- change the Redemption Date with respect to any Debt Security;
- reduce the principal amount of, or premium or interest on, any Debt Security;
- change our obligation, if any, to pay additional amounts;
- reduce the amount of principal of an Original Issue Discount Security payable upon acceleration of the Maturity thereof;
- change the coin or currency in which any Debt Security or any premium or interest thereon is payable;
- change the redemption right of any Holder;
- impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security or any conversion right with respect thereto;
- reduce the percentage in principal amount of Outstanding Securities of any series, the consent of whose Holders is required for modification or amendment of such Indenture or for waiver of compliance with certain provisions of such Indenture or for waiver of certain defaults;
- reduce the requirements contained in such Indenture for quorum or voting;
- change our obligation, if any, to maintain an office or agency in the places and for the purposes required by such Indenture;
- adversely affect the right to convert subordinated debt securities, if applicable; or
- modify any of the above provisions. (Section 902)

The Subordinated Debt Indenture may not be amended to alter the subordination of any outstanding subordinated debt securities without the consent of each holder of Senior Indebtedness (as defined below under "-- Provisions Applicable Solely to Subordinated Debt Securities") then outstanding that would be adversely affected thereby. (Section 907 of the Subordinated Debt Indenture)

The Holders of a majority in aggregate principal amount of the Outstanding

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

Securities of each series may, on behalf of all Holders of that series, waive, insofar as that series is concerned, our compliance with certain restrictive provisions of the Indenture under which such series has been issued. (Section 1007 of the Senior Debt Indenture; Section 1008 of the Subordinated Debt Indenture) The Holders of a majority in aggregate principal amount of the Outstanding Securities, of each series may, on behalf of all Holders of that series, waive any past default under the applicable Indenture with respect to any debt securities of that series, except a default:

- in the payment of principal of, or premium, if any, or any interest on any Debt Security of such series; or
- in respect of a covenant or provision of such Indenture which cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected. (Section 513)

Each Indenture provides that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver thereunder or are present at a meeting of the Holders for quorum purposes,

15

- the principal amount of an Original Issue Discount Security that is deemed to be Outstanding will be the amount of the principal that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof, and
- the principal amount of a Debt Security denominated in a foreign currency or currency units will be the U.S. dollar equivalent, determined on the date of original issuance of such Debt Security, of the principal amount of such Debt Security or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent, determined on the date of original issuance of such Security, of the amount determined as provided in the preceding bullet point. (Section 101)

Each Indenture contains provisions for convening meetings of the Holders of a series if debt securities of that series are issuable as Bearer Securities. (Section 1401) A meeting may be called at any time by the Trustee, and also, upon request, by us or the Holders of at least 10% in aggregate principal amount of the Outstanding Securities of such series, in any such case upon notice given in accordance with "Notices" below. (Section 1402) Except for any consent which must be given by the Holder of each Outstanding Security affected thereby, as described above, any resolution presented at a meeting (or adjourned meeting at which a quorum is present) may be adopted by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series; provided, however, that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in aggregate principal amount of the Outstanding Securities of a series may be adopted at a meeting (or adjourned meeting duly reconvened at which a quorum is present) by the affirmative vote of the Holders of such specified percentage in aggregate principal amount of the Outstanding Securities of that series. Any resolution passed or decision taken at any meeting of Holders of any series duly held in accordance with the applicable Indenture will be binding on all Holders of that series and related coupons. The quorum at any meeting, and at an reconvened meeting, will be Persons holding or representing a majority in aggregate principal amount of the Outstanding Securities of a series. (Section 1404)

Notices. Except as otherwise provided in an applicable prospectus

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

supplement, notices to Holders of Bearer Securities will be given by publication at least twice in a daily newspaper in the City of New York and in such other city or cities as may be specified in such Bearer Securities. Notices to Holders of Registered Securities will be given by first-class mail to the addresses of such Holders as they appear in the Security Register. (Section 106)

Governing Law. The Indentures, the debt securities and coupons will be governed by, and construed in accordance with, the laws of the State of New York. (Section 113)

Regarding the Trustee. The Trustee appointed and serving as trustee pursuant to each of the Senior Debt Indenture and the Subordinated Debt Indenture is JPMorgan Chase.

Each Indenture contains certain limitations on the right of the Trustee, should it become our creditor, to obtain payment of claims in certain cases, or to realize for its own account on certain property received in respect of any such claim as security or otherwise. (Section 613) The Trustee is permitted to engage in certain other transactions but, if it acquires any conflicting interest (as described in the Indentures), it must eliminate such conflict or resign. (Section 608)

The holders of a majority in principal amount of all outstanding debt securities of a series (or if more than one series is affected thereby, all series so affected, voting as a single class) will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy or power available to the Trustee for such series or all such series so affected.

In case an Event of Default occurs and is not cured under any Indenture relating to a series of debt securities and is known to the Trustee for such series, such Trustee shall exercise such of the rights and powers vested in it by such Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. Subject to such provisions, no Trustee will be under any obligation to exercise any of its rights or powers under the

16

applicable Indenture at the request of any of the holders of debt securities unless they shall have offered to such Trustee security and indemnity satisfactory to it.

Pursuant to the Trust Indenture Act, a trustee under an indenture may be deemed to have a conflicting interest, and may, under certain circumstances, be required to resign as trustee if the securities under such indenture are in default and the trustee is the trustee under another indenture under which any other securities of the same obligor are outstanding. In such event, the obligor must take prompt steps to have a successor trustee appointed in the manner provided in the indenture from which the trustee has resigned. Accordingly, JPMorgan Chase, as trustee under the Senior Debt Indenture and the Subordinated Debt Indenture, could be required to resign as trustee under one of such Indentures should a default occur under one of such Indentures.

JPMorgan Chase, as the trustee under the Senior Debt Indenture and the Subordinated Debt Indenture, may be a depository for funds of, may make loans to and may perform other routine banking services for us and certain of our affiliates in the normal course of business.

PROVISIONS APPLICABLE SOLELY TO SENIOR DEBT SECURITIES

General. Senior debt securities will be issued under the Senior Debt

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

Indenture, and each series:

- will rank pari passu as to the right of payment of principal and any premium and interest with each other series issued thereunder; and
- will rank senior to all series of subordinated debt securities issued and outstanding and that may be issued from time to time.

Any series not guaranteed by Waste Management Holdings will be structurally subordinated to any senior debt securities that are so guaranteed.

Certain Definitions. For purposes of the following discussion, the following definitions are applicable (Section 1008 and 1009 of the Senior Debt Indenture).

"Attributable Debt" shall mean, as of any particular time, the present value, discounted at a rate per annum equal to (i) the implied lease rate of or (ii) if the implied lease rate is not known to us, then the weighted average interest rate of all senior debt securities outstanding at the time under the Senior Debt Indenture compounded semi-annually, in either case, of the obligation of a lessee for rental payments during the remaining term of any lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended); the net amount of rent required to be paid for any such period shall be the total amount of the rent payable by the lessee with respect to such period, but may exclude amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges; and, in the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Consolidated Net Tangible Assets" shall mean, at any date of determination, the total amount of our assets after deducting therefrom: (i) all the current liabilities (excluding (a) any current liabilities that by their terms are extendible or renewable at the option of the obligor thereon to a time more than 12 months after the time as of which the amount thereof is being computed, and (b) current maturities of long term debt) and (ii) the value (net of any applicable reserves) of all intangible assets such as excess of cost over net assets of acquired businesses, customer lists, covenants not to compete, licenses, and permits, all as set forth on our and our consolidated subsidiaries' consolidated balance sheet for our most recently completed fiscal quarter, prepared in accordance with United States generally accepted accounting principles.

"Guaranty" shall mean any agreement, undertaking or arrangement by which any person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the debt, obligation or other liability of any other person (other

17

than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other person. The amount of the obligor's obligation under any Guaranty shall (subject to any limitation set forth therein) be deemed to be the amount of such other person's debt, obligation or other liability or the amount of such dividends or other distributions guaranteed.

"Indebtedness" of any person shall mean:

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

(a) all obligations of such person for borrowed money (including, without limitation, all notes payable and drafts accepted representing extension of credit and all obligations evidenced by bonds, debentures, notes or other similar instruments) or on which interest charges are customarily paid, all as shown on a balance sheet of such person as of the date at which Indebtedness is to be determined;

(b) all other items which, in accordance with generally accepted accounting principles, would be included as liabilities on the liability side of a balance sheet of such person as of the date at which Indebtedness is to be determined; and

(c) whether or not so included as liabilities in accordance with generally accepted accounting principles,

(i) all indebtedness (excluding, however, prepaid interest thereon) secured by a Security Interest in property owned or being purchased by such person (including, without limitation, indebtedness arising under conditional sales or other title retention agreements) whether or not such indebtedness shall have been assumed by such person, and

(ii) all Guaranties of such person.

"Principal Property" shall mean any waste processing, waste disposal or resource recovery plant or similar facility located within the United States (other than its territories and possessions and Puerto Rico) or Canada and owned by, or leased to, us or any Restricted Subsidiary, except (a) any such plant or facility (i) owned or leased jointly or in common with one or more persons other than us and any Restricted Subsidiaries in which our and our Restricted Subsidiaries' interest does not exceed 50%, or (ii) which the Board of Directors determines in good faith is not of material importance to our and our subsidiaries', as an entity, total business conducted, or assets owned, or (b) any portion of such plant or facility which the Board of Directors determines in good faith not to be of material importance to the use or operation thereof.

"Restricted Subsidiary" shall mean any Subsidiary (other than any Subsidiary of which we own directly or indirectly less than all of the outstanding Voting Stock) (a) principally engaged in, or whose principal assets consist of property used by us or any Restricted Subsidiary in, the storage, collection, transfer, interim processing or disposal of waste within the United States or Canada, or (b) which we shall designate as a Restricted Subsidiary in an Officers' Certificate delivered to the Trustee.

"Security Instrument" shall mean any security agreement, chattel mortgage, assignment, financing or similar statement or notice, continuation statement, other agreement or instrument, or amendment or supplement to any thereof, providing for, evidencing or perfecting any Security Interest or lien.

"Security Interest" shall mean any interest in any real or personal property or fixture which secures payment or performance of an obligation and shall include any mortgage, lien, encumbrance, charge or other security interest of any kind, whether arising under a Security Instrument or as a matter of law, judicial process or otherwise.

Consolidation, Merger and Sale of Assets. The Senior Debt Indenture provides that we may not consolidate with or merge into any other person or convey, transfer or lease our properties and assets substantially as an entirety to any person, unless we deliver to the trustee an officers' certificate and an opinion of counsel to the effect that:

- the person formed by such consolidation or into which we are merged or

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

the person which acquires by conveyance or transfer, or which leases, our properties and assets substantially as an entirety

18

shall be a corporation, partnership or trust which shall expressly assume, by a supplemental indenture executed and delivered to the Trustee, in form satisfactory to the trustee, the due and punctual payment of the principal of and any premium and interest on the senior debt securities and the performance or observance of every other covenant of the Senior Debt Indenture to be performed or observed on our part; and

- immediately after giving effect to such transaction and treating any indebtedness which becomes our or our subsidiary's obligation as a result of such transaction as having been incurred by us or our subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

Upon any consolidation of us with, or merger of us into, any other person or any, conveyance, transfer or lease of our properties and assets substantially as an entirety, the successor person formed by such consolidation or into which we are merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise our every right and power under the Senior Debt Indenture with the same effect as if such successor person had been named as us therein, and thereafter, except in the case of a lease, the predecessor person shall be relieved of all obligations and covenants under the Senior Debt Indenture and the senior debt securities and may liquidate and dissolve. (Sections 801, 802 of the Senior Debt Indenture).

Limitation on Liens. Unless otherwise provided in the applicable prospectus supplement, for each series of senior debt securities we issued under the Senior Debt Indenture, we will not, and we will not permit any of our Restricted Subsidiaries to, create, incur, assume or suffer to exist, directly or indirectly, any Indebtedness secured by a Security Interest upon any Principal Property of us or of a Restricted Subsidiary, whether owned as of the date of the Senior Debt Indenture or thereafter acquired, without making effective provision (and we hereby covenant that in any such case we shall make or cause to be made effective provision) whereby the senior debt securities then outstanding and any other Indebtedness of us or any Restricted Subsidiary then entitled thereto shall be secured by such Security Interest equally and ratably with (or, in the case of the senior debt securities and if we shall so determine, prior to) any and all other Indebtedness of us or any Restricted Subsidiary thereby secured for so long as any such other Indebtedness of us or any Restricted Subsidiary shall be so secured; provided, that nothing in the Senior Debt Indenture shall prevent, restrict or apply to Indebtedness secured by:

- (a) any Security Interest upon property or assets which is created prior to or contemporaneously with, or within 360 days after, (1) in the case of the acquisition of such property or assets, the completion of such acquisition; and (2) in the case of the construction, development or improvement of such property or assets, the later to occur of the completion of such construction, development or improvement or the commencement of operation or use of the property or assets, which Security Interest secures or provides for the payment, financing or refinancing, directly or indirectly, of all or any part of the acquisition cost of such property or assets or the cost of construction, development or improvement thereof; or (b) any Security Interest upon property or assets existing at the time of the acquisition thereof, which Security Interest secures obligations assumed by us or any Restricted Subsidiary; or (c) any conditional sales agreement or other title

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

retention agreement with respect to any property or assets acquired by us or any Restricted Subsidiary; or (d) any Security Interest existing on the property or assets or shares of stock of a corporation or firm at the time such corporation or firm is merged into or consolidated with us or any Restricted Subsidiary or at the time of a sale, lease or other disposition of the property or assets of such corporation or firm as an entirety or substantially as an entirety to us or any Restricted Subsidiary or at the time such corporation becomes a Restricted Subsidiary; or (e) any Security Interest existing on the property, assets or shares of stock of any successor which shall have become us in accordance with the provisions described above in "-- Consolidation, Merger and Sale of Assets"; provided, in each case, that any such Security Interest described in the foregoing clauses (b), (c), (d) or (e) does not attach to or affect property or assets owned by us or any Restricted Subsidiary prior to the event referred to in such clauses; or

19

- mechanics', materialmen's, carriers' or other like liens arising in the ordinary course of business (including construction of facilities) in respect of obligations that are not due or which are being contested in good faith; or
- any Security Interest arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation, which is required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege, franchise or license (including, without limitation, any Security Interest arising by reason of one or more letters of credit in connection with any international waste management contract to be performed by us or any of our subsidiaries or our or their respective affiliates); or
- Security Interests for taxes, assessments or governmental charges or levies not yet delinquent or Security Interests for taxes, assessments or governmental charges or levies already delinquent but the validity of which is being contested in good faith; or
- Security Interests (including judgment liens) arising in connection with legal proceedings so long as such proceedings are being contested in good faith and, in the case of judgment liens, execution thereon is stayed; or
- landlords' liens on fixtures located on premises leased by us or any Restricted Subsidiary in the ordinary course of business; or
- any Security Interest in favor of any governmental authority in connection with the financing of the cost of construction or acquisition of property; or
- any Security Interest arising by reason of deposits to qualify us or any Restricted Subsidiary to conduct business, to maintain self-insurance, or to obtain the benefit of, or comply with, laws; or
- any Security Interest that secures any Indebtedness of a Restricted Subsidiary owing to us or another Restricted Subsidiary or by us to a Restricted Subsidiary; or
- any Security Interest incurred in connection with pollution control, sewage or solid waste disposal, industrial revenue or similar financing; or
- any Security Interest created by any program providing for the financing,

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

sale or other disposition of trade or other receivables qualified as current assets in accordance with United States generally accepted accounting principles entered into by us or by any Restricted Subsidiary, provided that such program is on terms comparable for similar transactions, or any document executed by us or any Restricted Subsidiary in connection therewith, and provided that such Security Interest is limited to the trade or other receivables in respect of which such program is created or exists and the proceeds thereof; or

- any extension, renewal or refunding (or successive extensions, renewals or refundings) in whole or in part of any Indebtedness secured by any Security Interest referred to in the foregoing clauses, inclusive, provided that the Security Interest securing such Indebtedness shall be limited to the property or assets that, immediately prior to such extension, renewal or refunding, secured such Indebtedness and additions to such property or assets.

Notwithstanding the foregoing provisions, we or any of our Restricted Subsidiaries may create, incur, assume or suffer to exist any Indebtedness secured by a Security Interest without so securing the senior debt securities if, at the time such Security Interest becomes a Security Interest upon any of our or our Restricted Subsidiaries' Principal Property and after giving effect thereto, the aggregate outstanding principal amount of all Indebtedness of us and our Restricted Subsidiaries secured by Security Interests permitted by this sentence (excluding Indebtedness secured by a Security Interest existing as of the date of the Senior Debt Indenture, but including the Attributable Debt in respect of Sale and Leaseback Transactions, other than Sale and Leaseback Transactions which, if the Attributable Debt in respect thereof had been Indebtedness secured by a Security Interest, would have been permitted by the first

20

bullet point above, other Sale and Leaseback Transactions the proceeds of which have been applied or committed to be applied in accordance with the covenant described in "-- Limitations on Sale and Leaseback Transactions" and other than Sale and Leaseback Transactions between us and any Restricted Subsidiary) does not exceed 15% of Consolidated Net Tangible Assets. (Section 1008 of the Senior Debt Indenture)

If, upon any consolidation or merger of any Restricted Subsidiary with or into any other corporation, or upon any consolidation or merger of any other corporation with or into us or any Restricted Subsidiary or upon any sale or conveyance of the Principal Property of any Restricted Subsidiary as an entirety or substantially as an entirety to any other person, or upon any acquisition by us or any Restricted Subsidiary by purchase or otherwise of all or any part of the Principal Property of any other person, any Principal Property theretofore owned by us or such Restricted Subsidiary would thereupon become subject to any Security Interest not permitted by the terms of the foregoing covenant, the Senior Debt Indenture provides that we, prior to such consolidation, merger, sale or conveyance, or acquisition, will, or will cause such Restricted Subsidiary to, secure payment of the principal of and interest, if any, on the senior debt securities (equally and ratably with or prior to any other Indebtedness of us or such Restricted Subsidiary then entitled thereto) by a direct lien on all such Principal Property prior to all liens other than any liens theretofore existing thereon by a supplemental indenture or otherwise. (Section 1008 of the Senior Debt Indenture)

Limitations on Sale and Leaseback Transactions. Unless otherwise provided in the applicable prospectus supplement, for each series of senior debt securities issued under the Senior Debt Indenture, we will not, and will not

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

permit a Restricted Subsidiary to, enter into any arrangement with any person (other than with any Restricted Subsidiary) providing for the leasing to us or any Restricted Subsidiary of any Principal Property owned or hereafter acquired by us or such Restricted Subsidiary (except for temporary leases for a term, including any renewal thereof, of not more than three years and except for leases between us and a Restricted Subsidiary or between Restricted Subsidiaries), which Principal Property has been or is to be sold or transferred by us or such Restricted Subsidiary to such person (a "Sale and Leaseback Transaction") unless:

- we or such Restricted Subsidiary would be entitled, pursuant to the covenant described in "-- Limitation on Liens," to incur Indebtedness secured by a Security Interest on the property to be leased without equally and ratably securing the senior debt securities; or
- we shall, and in any such case we covenant that we will, within 180 days after the effective date of any such arrangement, apply an amount equal to the fair value (as determined by our Board of Directors) of such property to the redemption of the senior debt securities that, by their terms, are subject to redemption, or to the purchase and retirement of the senior debt securities, or to the payment or other retirement of funded debt for money borrowed, incurred or assumed by us which ranks senior to or equally with the senior debt securities or of funded debt for money borrowed, incurred or assumed by any Restricted Subsidiary (other than, in either case, funded debt owed by us or any Restricted Subsidiary); or
- we shall within 180 days after entering into the Sale and Leaseback Transaction, enter into a bona fide commitment or commitments to expend for the acquisition or capital improvement of a Principal Property an amount at least equal to the fair value (as determined by our Board of Directors) of such property. (Section 1009 of the Senior Debt Indenture)

Notwithstanding the foregoing, we may, and may permit any Restricted Subsidiary to, effect any Sale and Leaseback Transaction that is not allowable pursuant to the above clauses, inclusive, of the foregoing covenant, provided that the Attributable Debt associated with such Sale and Leaseback Transaction, together with the aggregate principal amount of outstanding debt secured by Security Interests upon Principal Property not acceptable pursuant to the list of bullet points for the covenant described in "-- Limitation on Liens," inclusive, do not exceed 15% of Consolidated Net Tangible Assets. (Section 1009 of the Senior Debt Indenture).

21

Events of Default. Unless otherwise specified in the applicable prospectus supplement, for any series of senior debt securities issued under the Senior Debt Indenture, an Event of Default means one or more of the following events:

- default in the payment of any interest upon any senior debt security when it becomes due and payable, and continuance of such default for a period of 30 days; or
- default in the payment of the principal of, or premium, if any, on, any senior debt security of that series as and when the same becomes due and payable whether at stated maturity, by declaration of acceleration, call for redemption or otherwise; or
- default in the deposit of any sinking fund payment, when and as due by the terms of a senior debt security of that series; or

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

- default in the performance, or breach, of any of our other covenants or warranties in the Senior Debt Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in Section 501 of the Senior Debt Indenture specifically dealt with or which has expressly been included in the Senior Debt Indenture solely for the benefit of a series of senior debt securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to us by the Trustee or to us and the Trustee by the holders of at least 25% in principal amount of the outstanding senior debt securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a notice of default under the Senior Debt Indenture; or
- the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of use in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging us a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of us under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of us or of any substantial part of our property, or ordering the winding up or liquidation of our affairs, and the continuation of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or
- the commencement by us of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of us in an involuntary case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of us or of any substantial part of our property, or the making by us of an assignment for the benefit of creditors, or the admission by us in writing of our inability to pay our debts generally as they become due, or the taking of corporate action by us in furtherance of any such action; or
- any other Event of Default provided with respect to senior debt securities of that series. (Section 501 of Senior Debt Indenture)

If an Event of Default with respect to senior debt securities of any series occurs and is continuing, then in every such case, either the Trustee or the holders of not less than 25% in principal amount of the outstanding senior debt securities of that series may declare the principal amount (or, if any of the senior debt securities of that series are Original Issue Discount Securities, such portion of the principal amount of such senior debt securities as may be specified in the terms of those securities) of all of the senior debt securities of that series to be due and payable immediately, by a notice in writing to us (and to the Trustee if given by holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the senior debt securities of any series has been made and before a judgment or decree for

payment of the money due has been obtained by the Trustee, the holders of a

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

majority in principal amount of the outstanding senior debt securities of that series, by written notice to us and the Trustee, may rescind and annul such declaration and its consequences if:

- (1) we have paid or deposited with the Trustee a sum sufficient to pay:
 - all overdue interest on all senior debt securities of that series;
 - the principal of, and premium, if any, on, any senior debt securities of that series which has become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed in the senior debt securities;
 - to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed in the senior debt securities of that series; and
 - all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and
- (2) all Events of Default with respect to the senior debt securities of that series, other than the non-payment of the principal of senior debt securities of that series which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Senior Debt Indenture.

No rescission of a declaration of acceleration of the senior debt securities shall affect any subsequent default or impair any right resulting from a default. (Section 502 of Senior Debt Indenture) If the Trustee or any holder of a senior debt security or coupon has instituted any proceeding to enforce any right or remedy under the Senior Debt Indenture and the proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such holder, then and in every such case, subject to any determination in such proceeding, we, the Trustee and the holders of senior debt securities and coupons shall be restored severally and respectively to our former positions under the Senior Debt Indenture and the senior debt securities and thereafter all rights and remedies of the Trustee and the holders shall continue as though no such proceeding had been instituted. (Section 509 of Senior Debt Indenture)

The Senior Debt Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee is under no obligation to exercise any of its rights or powers under the Senior Debt Indenture at the request or direction of any of the holders, unless the holders shall have offered to the Trustee reasonable indemnity. (Section 601, 603 of Senior Debt Indenture) No holder of any senior debt security shall have any right to institute any proceeding, judicial or otherwise, with respect to the Senior Debt Indenture, or for the appointment of a receiver or Trustee, or for any other remedy thereunder, unless:

- such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the senior debt securities of that series;
- the holders of not less than 25% in principal amount of the outstanding senior debt securities of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Senior Debt Indenture;
- such holder or holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

with such request;

- the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding senior debt securities of that series. (Section 507 of Senior Debt Indenture)

23

Notwithstanding any other provisions in the Senior Debt Indenture, the right of any holder of any senior debt security to receive payment of the principal of and any premium and any interest on the senior debt security on the stated maturity for the senior debt security, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such holder. (Section 508, 902 of Senior Debt Indenture)

The holders of a majority in principal amount of the outstanding senior debt securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the senior debt securities of that series, provided that:

- the direction shall not be in conflict with any rule of law or with the Senior Debt Indenture;
- the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and
- the Trustee shall not be obligated to take any action unduly prejudicial to holders not joining in such direction or involving the Trustee in personal liability.

The holders of a majority in principal amount of the outstanding senior debt securities of any series may on behalf of the holders of all the senior debt securities of that series waive any past default under the Senior Debt Indenture with respect to the senior debt securities and its consequences, except a default in the payment of the principal of or any premium or interest on any senior debt security of that series or in respect of a covenant or provision of the Senior Debt Indenture which, pursuant to the Senior Debt Indenture, cannot be modified or amended without the consent of the holder of each outstanding senior debt securities affected. Upon any such waiver, the default shall cease to exist, and any Event of Default arising from the waived default shall be deemed to have been cured for every purpose of the Senior Debt Indenture. However, no such waiver shall extend to any subsequent or other default or impair any right resulting from the default. (Sections 513, 902 of Senior Debt Indenture)

If a default occurs under the Senior Debt Indenture with respect to the senior debt securities of any series, the Trustee shall give the holders of senior debt securities of that series notice of such default as and to the extent provided by the Trust Indenture Act. However, in the case of any default or breach of certain covenants or warranties with respect to senior debt securities, no notice to holders shall be given until at least 30 days after the occurrence of the default. (Section 602 of Senior Debt Indenture).

We are required to furnish to the Trustee annually a statement as to our compliance with all conditions and covenants under the Senior Debt Indenture.

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

(Section 1006).

PROVISIONS APPLICABLE SOLELY TO SUBORDINATED DEBT SECURITIES

Consolidation, Merger, Sale. The Subordinated Debt Indenture provides that we may not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless:

- the person formed by such consolidation or into which we merge or the person which acquires by conveyance or transfer, or which leases, our properties and assets substantially as an entirety shall be a corporation, partnership or trust, organized and validly existing under the laws of the United States, any State thereof or the District of Columbia and shall expressly assume, by a supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest (including all additional amounts, if any, payable pursuant to the Subordinated Debt Indenture) on all the subordinated debt securities and the performance or observance of every other covenant of the Subordinated Debt Indenture to be performed or observed on our part; and
- immediately after giving effect to such transaction and treating any indebtedness which becomes our or our subsidiaries' obligation as a result of such transaction as having been incurred by us or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after

24

notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing.

Upon any consolidation of us with, or merger of us into, any other person or any conveyance, transfer or lease of our properties and assets substantially as an entirety, the successor person formed by such consolidation or into which we are merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise our every right and power under the Subordinated Debt Indenture with the same effect as if such successor person had been named as us herein, and thereafter, except in the case of a lease, the predecessor person shall be relieved of all obligations and covenants under the Subordinated Debt Indenture and the subordinated debt securities and coupons and may liquidate and dissolve. (Sections 801, 802 of the Subordinated Debt Indenture)

Events of Default. Unless otherwise specified in the applicable prospectus supplement, an Event of Default is defined under the Subordinated Debt Indenture with respect to the subordinated debt securities of any series issued under such Subordinated Debt Indenture as being one or more of the following events:

- default in the payment of any interest upon any subordinated debt security of that series when it becomes due and payable, and continuance of such default for a period of 30 days; or
- default in the payment of the principal of (or premium, if any, on) any Subordinated Debt Security of that series as and when the same becomes due and payable, whether at Stated Maturity or by declaration of acceleration, call for redemption or otherwise; or
- default in the deposit of any sinking fund payment, when and as due by the terms of a Subordinated Debt Security of that series; or

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

- default in the performance, or breach, of any of our other covenants or warranties in the Subordinated Debt Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in Section 501 of the Subordinated Debt Indenture specifically dealt with or which has expressly been included in the Subordinated Debt Indenture solely for the benefit of a series of subordinated debt securities other than that series), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to us by the Trustee or to us and the Trustee by the Holders of at least 25% in principal amount of the Outstanding subordinated debt securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Subordinated Debt Indenture; or
- the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of us in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging us a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of us under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of us or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or
- the commencement by us of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by us to the entry of a decree or order for relief in respect of us in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or the commencement of any bankruptcy or insolvency case or proceeding against us, or the filing by us of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by us to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of us or of any substantial part of our property, or the making by us of an assignment for the benefit of creditors, or the admission by us

25

in writing of our inability to pay our debts generally as they become due, or the taking of corporate action by us in furtherance of any such action; or

- any other Event of Default provided with respect to subordinated debt securities of that series. (Section 501 of the Subordinated Debt Indenture)

Remedies. If an Event of Default with respect to subordinated debt securities of any series at the time Outstanding occurs and is continuing, then in every such case, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding subordinated debt securities of that series may declare the principal amount (or, if any of the subordinated debt securities of that series are Original Issue Discount Securities, such portion of the principal amount of such subordinated debt securities as may be specified in the

Edgar Filing: WASTE MANAGEMENT INC - Form S-3

terms of the subordinated debt securities) of all of the subordinated debt securities of that series to be due and payable immediately, by a notice in writing to us (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the subordinated debt securities of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the Holders of a majority in principal amount of the Outstanding subordinated debt securities of that series, by written notice to us and the Trustee, may rescind and annul such declaration and its consequences if:

- we have paid or deposited with the Trustee a sum sufficient to pay:

- (A) all overdue interest on all subordinated debt securities of that series;

- (B) the principal of (and premium, if any, on) any subordinated debt securities of that series which has become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such subordinated debt securities;

- (C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such subordinated debt securities, and

- (D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

- all Events of Default with respect to subordinated debt securities of that series, other than the non-payment of the principal of subordinated debt securities of that series which has become due solely by such
- d