

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES AND EXCHANGE ACT OF 1934
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
 SECURITIES AND EXCHANGE ACT OF 1934
 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-12154

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

DELAWARE (State or other jurisdiction of incorporation or organization) 1001 FANNIN STREET, SUITE 4000 HOUSTON, TEXAS (Address of principal executive offices)	73-1309529 (I.R.S. Employer Identification No.) 77002 (Zip code)
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Registrant's telephone number, including area code: (713) 512-6200

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

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
Common Stock, \$.01 par value 4% Convertible Subordinated Debentures due 2002	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
 5.75% Convertible Subordinated Notes due 2005

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 17, 1999, was approximately \$27,437,506,000. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange. (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

The number of shares of Common Stock, \$.01 par value, of the registrant outstanding at March 17, 1999, was 601,810,986 (excluding 7,892,612 shares held in the Waste Management, Inc. Employee Stock Benefit Trust).

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	INCORPORATED AS TO
Proxy Statement for the 1999 Annual Meeting of Stockholders	Part III

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PART I

ITEM 1. BUSINESS.

GENERAL

Waste Management, Inc. ("Waste Management" or the "Company") is a global leader in providing integrated waste management services. The Company's principal operations are providing waste management services in North America (primarily the United States, Canada and Puerto Rico). The waste management services provided consist of collection, transfer, recycling and resource recovery services, as well as disposal services, including landfill disposal of hazardous wastes. In addition, the Company is a leading operator and owner of waste-to-energy and waste-fuel powered independent power facilities in the United States. Other North American operations include additional hazardous waste management services, as well as low-level and other radioactive waste services. Outside of North America, the Company operates throughout Europe, the Pacific Rim, South America and other select international markets. Included in the Company's international operations are the collection and transportation of solid, hazardous and medical wastes, and the collection, treatment and disposal of recyclable materials. The Company also operates solid and hazardous waste landfills, municipal and hazardous waste incinerators, water and wastewater treatment facilities, hazardous waste treatment facilities and constructs treatment or disposal facilities for third parties internationally. The Company's diversified customer base, which was in excess of 30 million customers as of December 31, 1998, includes commercial, industrial, municipal and residential customers, other waste management companies, governmental entities and independent power markets, with no single customer accounting for more than 5% of the Company's operating revenues during 1998. The Company employed approximately 68,000 people as of December 31, 1998.

The terms "Waste Management" and the "Company" refer to Waste Management, Inc., a Delaware corporation incorporated on April 28, 1995, and includes its predecessors, subsidiaries, and affiliates, unless the context requires otherwise. Waste Management's executive offices are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002, and its telephone number is (713) 512-6200. The Company's common stock is listed on the New York Stock Exchange under the trading symbol "WMI."

INDUSTRY OVERVIEW

The solid waste management industry in North America has historically been highly fragmented, with a multitude of local private operators and municipal operators servicing relatively centralized areas. The industry has been undergoing a period of significant consolidation which continues today. However, there remain a large number of private operators and municipalities that continue to account for a significant portion of the North American solid waste business.

As consolidation in the North American solid waste industry has continued, many smaller companies face strategic difficulties including economies of scale and higher costs of capital.

Increases in significant economies of scale, efficient operations and more readily available capital caused by consolidation have also affected municipalities, many of which have sold or leased their transfer and disposal facilities as well as contracted its collection services with private concerns.

Another important factor in the consolidation of the North American solid waste management industry is government regulation and enforcement, which has increased the cost of collection and disposal activities throughout North America. The most significant new legislation was in 1991 when the U.S. Environmental Protection Agency ("EPA") adopted new regulations pursuant to Subtitle D of the Resource Conservation and Recovery Act ("RCRA"), governing the disposal of nonhazardous municipal solid waste. These regulations led to a variety of requirements applicable to landfill disposal sites, including the construction of liners and the installation of leachate collection systems, groundwater monitoring systems, and methane gas recovery systems. The regulations also required enhanced control systems to monitor more closely the waste streams being disposed at the landfills, post-closure monitoring of sites as well as financial assurances that landfill operators will comply with the stringent regulations. These regulations significantly increased the costs

of compliance and landfill operations, leading to many closures, especially by small operators. Additionally, the increased costs associated with constructing new landfills caused disposal fees to increase. The higher costs associated with the regulations caused many in the industry to seek consolidation. Larger solid waste management companies are better able to absorb the increased costs of constructing new landfills and, because of the economies of scale that are necessary under the regulations, most new landfills are larger by historical standards, serving geographic regions rather than small localities.

Many larger solid waste companies have pursued acquisitions to complement existing businesses or otherwise improve their cost structure and flexibility. The Company believes waste management companies active in various segments of the industry will continue to seek vertical integration to enable them to become more cost-effective and competitive. However, there still exists a large number of small local and regional companies, municipalities and other governmental authorities that provide waste services. Many of the smaller companies are able to effectively compete on the basis of local name recognition as well as cost structure. Additionally, municipalities and counties can sometimes offer services at lower direct costs to the customer through the use of tax revenues and tax-exempt financings. See "Competition."

STRATEGY

Key components of the Company's strategy are:

Growth

Internal Growth

- Increasing revenues through the expansion of existing operations. The Company continually strives to grow its existing operations by pursuing new waste volumes and properly pricing its services.

External Growth

- Increasing revenues and enhancing profitability through acquisitions. The Company continually seeks to expand its services through the acquisition of additional solid waste management businesses and operations that can be effectively integrated with the Company's existing operations. These acquisitions typically involve adding collection operations, transfer stations, or landfills that are complementary to existing operations and that permit the Company to implement operating efficiencies and increase asset utilization.
- Expanding into new markets through acquisitions. The Company also continues to pursue acquisitions in new markets where the Company believes it can strengthen its overall competitive position as an important provider of integrated waste management services. Additionally, acquisitions are pursued where opportunities exist to apply its operating and management expertise to enhance the performance of operations acquired.
- Benefiting from the privatization of solid waste services provided by municipalities. Municipalities currently provide a large percentage of the solid waste management services. Due to the capital and regulatory requirement demands, as well as the economics of the solid waste industry, certain portions of these services have been privatized each year. The Company pursues privatization opportunities where it believes solid waste services can be provided at a profitable level.

Operational Efficiencies

- Increasing productivity and operating efficiencies. The Company seeks to increase productivity, achieve administrative and operating efficiencies and improve profitability in existing operations and acquired businesses, with the objective of becoming the low-cost operator in each of its markets. Measures taken by the Company in this area include consolidating and implementing uniform administrative and management systems, restructuring and consolidating collection routes, improving equipment utilization, and increasing employee productivity through incentive compensation and training programs. The Company believes that its ability to serve markets as a low-cost operator is

fundamental to achieving sustainable internal growth and to realizing the benefits of its acquisition activity.

- Focusing on core businesses. The Company intends to focus on its core businesses, providing waste services including collection, transfer, disposal (landfill and waste-to-energy), recycling and other complementary services. The Company has marketed for sale certain business lines that include services not easily integrated in order to focus on those businesses that strengthen its overall competitive position.
- Internalization. The Company strives to strengthen its position in its existing markets by expanding the scope of services through the integration of its collection, transfer station, and disposal operations. Internalization is the disposal of waste collected by the Company at a facility owned or operated by the Company. Waste that can be internalized generally has greater profitability than waste that is disposed of at a third party facility. The utilization of internal disposal capacity is an integral component of the Company's ability to achieve its financial goals and objectives.
- Decentralized management. Because the Company believes the solid waste industry is a local and regional business, the Company is organized based upon a decentralized management and a streamlined corporate structure. The Company believes this approach enhances its ability to manage the local aspects of daily operations and service its customers more effectively.

Financial Flexibility and Strength

- Preserving the financial foundation. The Company monitors the financial demands of its existing operations, acquisition activities, and capital expenditures program in an attempt to maintain its financial flexibility and strength and its ability to capitalize on future opportunities. In managing its financial resources, the Company utilizes commercial banks, equity and debt offerings, and issues equity instruments in certain acquisitions. The Company believes that its ability to continue as an industry consolidator is directly related to its ability to maintain its financial flexibility and strength.
- Maximizing cash flows from operations. The industry in which the Company operates typically experiences significant positive cash flows from properly managed operations. The Company believes that it can be the low-cost service provider and strives to maximize cash flows from its operations in all markets. The Company expects to use these cash flows, in part, to continue its growth and believes it can do so without compromising its financial condition.

The Company's business is subject to extensive foreign, federal, state, and local regulation and legislative initiatives. Further, in some locations, its business is subject to environmental regulation, mandatory recycling laws, prohibitions on the deposit of certain types of waste in landfills, and restrictions on the flow of solid waste. Because of continuing public awareness and influence regarding the collection, transfer, and disposal of waste and the preservation of the environment, and uncertainty with respect to the enactment and enforcement of future laws and regulations, the Company cannot always accurately predict the impact that any future regulations or laws may have on its operations. See "-- Regulation" and "-- Legal Proceedings."

ACQUISITION AND DIVESTITURE ACTIVITY IN 1998

On July 16, 1998, the Company, then known as USA Waste Services, Inc., completed a merger with Waste Management, Inc., at which time Waste Management, Inc. was renamed Waste Management Holdings, Inc. ("WM Holdings") (the "WM Holdings Merger"). Under the terms of the WM Holdings Merger, the Company issued 0.725 of a share of its common stock for each outstanding share of WM Holdings common stock. The WM Holdings Merger increased the Company's outstanding shares of common stock by approximately 354,000,000 shares, and the Company assumed WM Holdings' stock options equivalent to approximately 16,000,000 underlying shares of the Company's common stock. Any unvested WM Holdings options issued prior to March 10, 1998 vested upon consummation of the WM Holdings Merger due to change of control provisions in the related plans. WM Holdings was previously the largest publicly traded solid waste company in the U.S., providing integrated solid waste management and hazardous waste management services in North America and comprehensive waste management and related services, including solid and hazardous waste management services, internationally. WM Holdings was also a leading

developer of facilities for, and provider of services to, the waste-to-energy and waste-fuel powered independent power markets. On the effective date of the WM Holdings Merger, the Company changed its name to "Waste Management, Inc."

On December 31, 1998, the Company consummated a merger with Eastern Environmental Services, Inc. ("Eastern") pursuant to which the Company issued approximately 24,460,000 shares of its common stock in exchange for all of the outstanding shares of Eastern (the "Eastern Merger").

On November 30, 1998, the Company acquired the 49% interest of the United Kingdom operations that were previously owned by Wessex Water Plc for approximately \$342,000,000.

On November 3, 1998, the Company completed the acquisition of the publicly owned shares of Waste Management International plc, an indirect majority-owned subsidiary ("WMI plc"). Pursuant to the acquisition, holders of the approximately 75 million ordinary shares not already owned by the Company (including those represented by American Depositary Receipts) received approximately \$5.72 for each share held, for a total of approximately \$443,000,000. The Company liquidated WMI plc after the acquisition in an effort to simplify the corporate structure and provide enhanced tax planning opportunities. The Company's international operations are now conducted through Waste Management International BV, a Netherlands corporation ("WM International").

On June 18, 1998, the Company acquired the solid waste businesses of American Waste Systems, Inc. ("American Waste") for approximately \$150,000,000 in cash. The businesses acquired include three landfills and one collection operation located in Ohio.

On May 6, 1998, the Company consummated a merger with TransAmerican Waste Industries, Inc. ("TransAmerican"), pursuant to which the Company issued approximately 1,975,000 shares of its common stock in exchange for all outstanding shares of TransAmerican. The businesses acquired include five collection operations, nine landfills and two transfer stations located throughout the southern U.S.

On March 31, 1998, the Company acquired all of the outstanding shares of Wheelabrator Technologies Inc. ("WTI") which it did not already own for \$876,200,000 in cash.

On January 14, 1998, the Company acquired the solid waste divisions of City Management Holdings Trust ("City Management") for approximately \$810,000,000 consisting of cash, and assumed debt. The businesses acquired are primarily located in Michigan and include collection operations, landfills, and transfer stations.

In addition to the aforementioned acquisitions, the Company paid an aggregate of \$1,453,880,000 in cash, common stock, and liabilities assumed to acquire solid waste assets and businesses.

In connection with the WM Holdings Merger and the Eastern Merger, the Company entered into agreements with the Antitrust Division of the Department of Justice and several states. Under the terms of the agreements, the Company is required to divest of future airspace rights and certain waste disposal, transfer and commercial collection assets. Included in the required divestitures are landfills in Ohio, Colorado, Michigan, Texas, California, Kentucky, Florida, New York and Pennsylvania; commercial waste hauling assets in Ohio, Pennsylvania, Colorado, Michigan, Texas, Kentucky, Oregon, Arizona and Florida; and certain commercial collection routes in Pennsylvania, New Jersey, New York, Virginia and Florida.

Additionally, in September 1998, the Company completed the sale of Rust Environmental & Infrastructure, Inc. ("REI"). The Company sold the environmental and infrastructure, engineering, and consulting firm for approximately \$68,000,000, subject to certain post-closing adjustments, in furtherance of the Company's previous decision to sell or otherwise discontinue certain lines of business of its subsidiary, Rust International, Inc.

RECENT DEVELOPMENTS

In March 1999, the Company entered into an agreement with a subsidiary of the French conglomerate Vivendi SA to form a non-landfill hazardous waste and industrial cleaning business joint venture. Under the agreement, the Company will transfer certain assets of the non-core industrial cleaning and hazardous waste

businesses to the joint venture, but will retain its hazardous waste landfill operations and national and regional account customers.

OPERATIONS

General

The following table reflects the Company's operating revenues for each of the three years ended December 31, 1998 for each of the Company's principal lines of business. Additional information regarding the results of operations for the Company's business lines is included in Note 13 to the Company's consolidated financial statements included elsewhere herein (in millions).

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
North American Solid Waste:			
Collection.....	\$ 6,963.5	\$ 6,071.2	\$ 5,257.5
Disposal.....	3,179.4	2,811.9	2,580.2
Transfer.....	1,054.3	814.5	709.1
Recycling and other.....	669.6	720.0	683.5
Intercompany.....	(1,646.3)	(1,172.7)	(1,132.4)
	10,220.5	9,244.9	8,097.9
WM International.....	1,533.6	1,790.0	1,913.8
Non-solid waste.....	949.4	937.6	986.9
Operating revenue.....	\$12,703.5	\$11,972.5	\$10,998.6

North American Solid Waste Management

Management of the Company's North American solid waste management operations is primarily achieved through an alignment that currently includes five geographic areas. Each area is directed by a senior Company officer who is responsible for oversight of the area's sales and marketing, administration and finance, operations, and maintenance functions and who typically has a small staff that works interactively with the corporate office to provide regulatory compliance and reporting, legal, engineering, internal and external development, and strategic planning services. Areas are organized into regions which are managed by a vice-president of the Company. Regions are further organized into divisions and districts which are led by local managers. Geographically, an area encompasses several states or provinces and may have up to eight regions, each of which is responsible for the oversight of several markets. The division or district manager is responsible for the day-to-day oversight of that local operation, with direct responsibility for customer satisfaction, employee motivation, labor and equipment productivity, internal growth, financial budgets, and profit and loss activity.

Collection. The Company provides different types of solid waste collection services depending on the customer serviced. Commercial and industrial collection services are generally performed under one to three-year service agreements, and fees are determined by such factors as collection frequency, type of collection equipment furnished by the Company, type and volume or weight of the waste collected, the distance to the disposal facility, labor cost, and cost of disposal. Most residential solid waste collection services are performed under contracts with, or franchises granted by, municipalities or regional authorities that have granted the Company exclusive rights to service all or a portion of the homes in their respective jurisdictions. Such contracts or franchises usually range in duration from one to five years, however, in certain cases, they have significantly longer terms. Some municipalities have requested bids on their residential collection contracts based on the volume of waste collected. Residential collection fees are either paid by the municipalities from their tax revenues or service charges or are paid directly by the residents receiving the service.

As part of its services, the Company provides steel containers to most of its commercial and industrial customers to store solid waste. These containers, ranging in size from one to 45 cubic yards, are designed to be lifted mechanically and either emptied into a collection vehicle's compaction hopper or directly into a disposal

site in the case of industrial customers. The use of containers enables the Company to service most of its commercial and industrial customers with collection vehicles operated by a single employee.

The Company often obtains waste collection accounts through acquisitions. Once a collection operation is acquired, the Company implements programs designed to improve equipment utilization, employee productivity, operating efficiencies, and overall profitability. The Company also solicits commercial and industrial customers in areas surrounding acquired residential collection markets as a means of further improving operating efficiencies and increasing solid waste collection volumes.

The cost of transporting solid waste to a disposal location effectively constrains where collection operations can be located. In addition, the Company believes that it is generally preferable for its collection operations to utilize disposal facilities owned or operated by affiliated parties so that access can be assured on reasonable terms. The Company's collection operations internalized approximately 58.5% of disposal costs paid to disposal facilities for 1998 as compared to 55.7% for 1997. In the remaining markets, waste is collected and delivered to a municipal, county or privately-owned unaffiliated landfill or transfer station.

Disposal. Landfills are the primary depository for solid waste. A solid waste landfill site must have geological and hydrogeological properties and design features which limit the possibility of water pollution, directly or by leaching. Solid waste landfill operations, which include carefully planned excavation, continuous spreading, compacting and covering of solid waste, are designed to maintain sanitary conditions, insure optimum utilization of the airspace and prepare the site for ultimate use for other purposes. Solid waste landfill operations are required to be conducted in accordance with the terms of permits obtained from various regulatory authorities, which typically incorporate the requirements of Subtitle D of RCRA or applicable state requirements, whichever are stricter. These requirements address such matters as daily volume limitations, placement of daily, interim and final site cover materials on waste disposed at the site, construction and operation of methane gas and leachate management systems, periodic groundwater monitoring activity and final closure requirements and post-closure monitoring and maintenance activities.

Solid waste landfill customers are charged disposal charges, known as "tipping fees", based on market factors and the type and volume or weight of solid waste deposited and the type and size of vehicles used in the conveyance of solid waste. The ownership or lease of a solid waste landfill enables the Company to dispose of waste without payment of tipping fees to unaffiliated parties. The Company's solid waste landfills are also used by unaffiliated waste collection companies and government agencies. Excluding solid waste landfills required to be sold as a result of 1998 governmental consent decrees related to the WM Holdings Merger and the Eastern Merger, the average landfill volume of the Company's North American sites for the year ended December 31, 1998, was approximately 414,000 tons per day, and the average remaining life of landfills owned or operated was approximately 20 years based on remaining permitted capacity and current average daily disposal volumes.

Suitable solid waste landfill facilities and permission to expand existing facilities may be difficult to obtain in some areas because of land scarcity, local resident opposition and governmental regulation. As its existing facilities become filled in such areas, the Company's solid waste disposal operations are and will continue to be materially dependent on its ability to purchase, lease or otherwise obtain operating rights for additional sites or expansion of existing sites and to obtain the necessary permits from regulatory authorities to construct and operate them. In addition, there can be no assurance that additional sites can be obtained or that existing facilities can continue to be expanded or operated.

The Company develops, operates, and owns waste-to-energy facilities in the U.S. The Company's waste-to-energy projects use boiler and grate technology and are capable of processing up to 23,750 tons of solid waste per day. The heat from this combustion process is converted into high-pressure steam, which typically is used to generate electricity for sale to public utility companies under long-term contracts.

The Company also operates secure hazardous waste land disposal facilities. All of the Company's five secure hazardous waste land disposal facilities in the U.S. have been issued permits under RCRA. See "Regulation -- RCRA." In general, the Company's hazardous waste land disposal facilities have received the necessary permits and approvals to accept hazardous wastes, although some of such sites may accept only

certain hazardous wastes. Only hazardous waste in a stable, solid form which meets applicable regulatory requirements may be buried in the Company's secure disposal cells. These land disposal facilities are sited, constructed and operated in a manner designed to provide long-term containment of such waste. Hazardous wastes may be treated prior to disposal. Physical treatment methods include distillation, evaporation and separation, all of which effectively result in the separation or removal of solid materials from liquids. Chemical treatment methods include chemical oxidation and reduction, chemical precipitation of heavy metals, hydrolysis and neutralization of acid and alkaline wastes and essentially involve the transformation of wastes into inert materials through one or more chemical reaction processes. At two of its locations, the Company isolates treated hazardous wastes in liquid form by injection into deep wells. Deep well technology involves drilling wells in suitable rock formations far below the base of fresh water to a point that is separated by other substantial geological confining layers. See "Non-Solid Waste Services -- Chemical Waste Management Services."

To develop a new disposal facility, the Company must expend significant time and capital resources without any certainty that the necessary permits will ultimately be issued for such facility or that the Company will be able to achieve and maintain the desired disposal volume at such facility. If the inability to obtain and retain necessary permits, the failure of a facility to achieve the desired disposal volume or other factors cause the Company to abandon development efforts for a facility, the capitalized development costs of the facility are charged to expense.

Transfer Stations. A transfer station is a facility located near residential and commercial collection routes where solid waste is received from collection vehicles and then transferred to and compacted in large, specially-constructed trailers for transportation to disposal facilities. This consolidation reduces costs by improving the utilization of collection personnel and equipment. Fees are generally based on such factors as the type and volume or weight of the waste transferred and the transportation distance to disposal sites. Transfer stations can also be used to facilitate internalizing disposal costs by giving Company collection operations more cost-effective access to disposal facilities owned or operated by the Company.

Recycling. The Company provides recycling services in the U.S. and Canada through its Recycle America(R), Recycle Canada(R) and other programs. Recycling involves the removal of reusable materials from the waste stream for processing and sale or other disposition for use in various applications. Participating commercial and industrial operations use containers to separate recyclable paper, glass, plastic and metal wastes for collection, processing and sale by the Company. Fees are determined by such considerations as competition, frequency of collection, type and volume or weight of the recyclable materials, degree of processing required, distance the recyclable materials must be transported and value of the recyclable materials.

As part of its residential solid waste collection services, the Company engages in curbside collection of recyclable materials from residences in the U.S. and Canada. Curbside recycling services generally involve the collection of recyclable paper, glass, plastic and metal waste materials, which may be separated by residents into different waste containers or commingled with other recyclable materials. The recyclable materials are then typically deposited at a local materials recovery facility ("MRF") where they are sorted and processed for sale.

The prices received by the Company for recyclable materials fluctuate substantially from quarter to quarter and year to year depending upon domestic and foreign demand for such materials, the quality of such materials, prices for new materials and other factors. In some instances, the Company enters into agreements with customers or the local governments of municipalities in which it provides recycling services whereby the customers or the governments share in the gains and losses resulting from fluctuation in prices of recyclable commodities. These agreements can reduce both the Company's gains and losses from such fluctuations.

The Company operates over 150 MRFs for the receipt and processing of recyclable materials. Such processing consists of separating recyclable materials according to type, and baling or otherwise preparing the separated materials for sale.

Energy Recovery. At 65 Company-owned or Company-operated solid waste landfill facilities, the Company is engaged in methane gas recovery operations. These operations involve the installation of a gas collection system into a solid waste landfill facility. Through the gas collection system, gas generated by decomposing solid waste is collected and transported to a gas-processing facility at the landfill site. Through physical processes methane gas is separated from contaminants. The processed methane gas is then generally either sold directly to industrial users or to an affiliate of the Company which uses it as a fuel to power electricity generators. Electricity generated by these facilities is sold, usually to public utilities under long-term sales contracts, often under terms or conditions which are subject to approval by regulatory authorities.

Portable Sanitation Services. The Company also provides portable sanitation services to municipalities and commercial customers. The portable sanitation services, which are primarily marketed under the Port-O-Let(R) trade name, are used at numerous special events and public gatherings.

International Waste Management and Related Services

The Company is a leading provider of waste management and related services internationally, primarily through WM International, which conducts essentially all of the waste management operations of the Company located outside North America. WM International's business may broadly be characterized into two areas of activity, collection services and treatment and disposal services. The bulk of the Company's international operations and revenues are derived from the acquisition from 1990 to 1995 of numerous companies and interests in Europe. Excluding the minority interest buyout of Wessex Water Plc's holdings in the United Kingdom, WM International has engaged in only a few small acquisitions since 1995 and has divested of certain operations which do not fit within its long-term strategy. The Company intends to continue to evaluate its international operations and may attempt to grow through acquisitions in certain markets. In addition, the Company may, over time, exit certain markets if it determines that financial performance in those markets is not acceptable.

While WM International has considerable experience in mobilizing for and managing foreign projects, its operations continue to be subject generally to such risks as currency fluctuations and exchange controls, the need to recruit and retain suitable local labor forces and to control and coordinate operations in different jurisdictions, changes in foreign laws or governmental policies or attitudes concerning their enforcement, political changes, local economic conditions and international tensions. In addition, price adjustment provisions based on certain formulas or indices may not accurately reflect the actual impact of inflation on the cost of performance.

Collection. Collection services include collection and transportation of solid, hazardous and medical wastes and recyclable material from residential, commercial and industrial customers. The residential solid waste collection process, as well as the commercial and industrial solid and hazardous waste collection process, is similar to that utilized by the Company in its North American operations. Business is obtained through public bids or tenders, negotiated contracts, and, in the case of commercial and industrial customers, direct contracts.

Residential solid waste collection is typically performed by WM International pursuant to municipal contracts. The scope, specifications, services provided and duration of such contracts vary substantially, with some contracts encompassing landfill disposal of collected waste, street sweeping and other related municipal services. Pricing for municipal contracts is generally based on volume of waste, number and frequency of collection pick-ups, and disposal arrangements. Longer-term contracts typically have formulas for periodic price increases or adjustments. WM International also provides curbside recycling services similar to those provided by the Company's North American operations.

WM International's commercial and industrial solid and hazardous waste collection services are generally contracted for by individual establishments. In addition to solid waste collection customers, WM International provides services to small quantity waste generators, as well as larger petrochemical, pharmaceutical and other industrial customers, including collection of hazardous, chemical or medical wastes or residues. Contract

terms and prices vary substantially among jurisdictions and types of customer. WM International also provides commercial and industrial recycling services.

Treatment and Disposal. Treatment and disposal services include processing of recyclable materials, operation of both solid and hazardous waste landfills, operation of municipal and hazardous waste incinerators, operation of water and wastewater treatment facilities, operation of hazardous waste treatment facilities and construction of treatment or disposal facilities for third parties. Treatment and disposal services are provided under contracts which may be obtained through public bid or tender or direct negotiation, and are also provided directly to other waste service companies.

Once collected, solid waste processed in a MRF may be sold, utilized or disposed of in various applications. Unprocessed solid wastes, or the portion of the waste stream remaining after recovery of recyclable materials, require disposal, which may be accomplished through incineration (in which the energy value may be recovered in a waste-to-energy facility) or through disposal in a solid waste landfill. The relative use of landfills versus incinerators differs from country to country and will depend on many factors, including the availability of land, geological and hydrogeological conditions, the availability and cost of technology and capital, and the regulatory environment. The main determinants of the disposal method are the disposal costs at local landfills, as incineration is generally more expensive, community preferences and regulatory provisions.

At present, in most countries in which WM International operates, landfilling is the predominant disposal method employed. WM International owns or operates solid waste landfills in Australia, Brazil, Denmark, Germany, Hong Kong, Italy, New Zealand, Sweden and the United Kingdom. Landfill disposal agreements may be separate contracts or an integrated portion of collection or treatment contracts. WM International operates five small, conventional municipal solid and other waste incineration facilities. Prior to January 1998, WM International also operated a waste-to-energy incinerator in Hamm, Germany. In light of the current overcapacity in the German waste-to-energy market and the pending renegotiation of WM International's disposal contracts with the local communities, WM International entered into an agreement in April 1997 to sell the facility. The transaction was completed in January 1998.

WM International owns or operates hazardous waste treatment facilities in Brazil, Brunei, Finland, Germany, Hong Kong, Indonesia, the Netherlands, Sweden and the United Kingdom.

Other. Industrial premises, office, street and parking lot cleaning services are also performed by WM International, along with portable sanitation services for occasions such as outdoor concerts and special events.

Non-Solid Waste Services

Hazardous Waste Management Services. In addition to the disposal facilities discussed above, the hazardous wastes handled by the Company include industrial by-products and residues that have been identified as "hazardous" pursuant to RCRA, as well as other materials contaminated with a wide variety of chemical substances.

Hazardous waste may be collected from customers and transported by the Company or contractors retained by the Company or delivered by customers to their facilities. Hazardous waste is transported primarily in specially constructed tankers and semi-trailers, including stainless steel and rubber or epoxy-lined tankers and vacuum trucks, or in containers or drums on trailers designed to comply with applicable regulations and specifications of the U.S. Department of Transportation ("DOT") relating to the transportation of hazardous materials. The Company also operates several facilities at which waste collected from or delivered by customers may be analyzed and consolidated prior to further shipment.

In the U.S., most hazardous wastes generated by industrial processes are handled "on-site" at the generators' facilities. Since the mid-1970's, public awareness of the harmful effects of unregulated disposal of hazardous wastes on the environment and health has led to extensive and evolving federal, state and local regulation of hazardous waste management activities. The major federal statutes regulating the management of hazardous wastes or substances include RCRA, the Toxic Substances Control Act ("TSCA") and the Comprehensive Environmental Response, Compensation and Liabilities Act of 1980, as amended

("CERCLA" or "Superfund"), all primarily administered by the EPA. The hazardous waste management business is heavily dependent upon the extent to which regulations promulgated under these or similar state statutes and their enforcement over time effectively require wastes to be specially handled or managed and disposed of in facilities of the type owned and operated by the Company. See "Regulation -- Hazardous Waste," "-- RCRA" and "-- Superfund." The hazardous waste services industry currently has substantial excess capacity caused by a number of factors, including a decline in environmental remediation projects generating hazardous waste for off-site treatment and disposal, continuing efforts by hazardous waste generators to reduce volume and to manage the wastes on-site, and the uncertain regulatory environment regarding hazardous waste management and remediation requirements. These factors have led to reduced demand and increased pressure on pricing for hazardous waste management services; conditions which the Company expects to continue for the foreseeable future.

Low-Level and Other Radioactive Waste Services. Radioactive wastes with varying degrees of radioactivity are generated by nuclear reactors and by medical, industrial, research and governmental users of radioactive material. Radioactive wastes are generally classified as either high-level or low-level. High-level radioactive waste, such as spent nuclear fuel and waste generated during the reprocessing of spent fuel from nuclear reactors, contains substantial quantities of long-lived radionuclides and is the ultimate responsibility of the federal government. Low-level radioactive waste, which decays more quickly than high-level waste, largely consists of dry compressible wastes (such as contaminated gloves, paper, tools and clothing), resins and filters which have removed radioactive contaminants from nuclear reactor cooling water, and solidified wastes from power plants which have become contaminated with radioactive substances and irradiated hardware.

The Company's Chem-Nuclear Systems LLC subsidiary ("Chem-Nuclear") provides comprehensive low-level radioactive waste management services in the U.S., consisting of disposal, processing and various other special services. To a lesser extent, it provides services with respect to radioactive waste that has become mixed with regulated hazardous waste. Its Barnwell, South Carolina facility, which has been in operation since 1971, is one of three licensed commercial low-level radioactive waste disposal facilities in the U.S. A trust has been established and funded to pay the estimated cost of decommissioning the Barnwell facility. A second fund, for the extended care of the facility, is funded by a surcharge on each cubic foot of waste received. Chem-Nuclear may be liable for additional costs if the extra charges collected to restore and maintain the facility are insufficient to cover the cost of restoring or maintaining the site after its closure. The Company does not expect this to have a material adverse impact on future operating results.

Under state legislation enacted in 1995, the Barnwell site is authorized to operate until its current permitted disposal capacity is fully utilized. However, that legislation was attached to a state appropriations bill that included a provision for a state tax of \$235 to be imposed on every cubic foot of waste disposed of at the Barnwell facility. As a result of decreased disposal volume and a shortfall in anticipated tax revenue, in June 1997, the State of South Carolina enacted new legislation requiring that Chem-Nuclear guarantee certain portions of anticipated tax revenues from the facility. Such reduced disposal volume and the requirement that Chem-Nuclear fund such tax payments have caused Chem-Nuclear to review its alternatives with respect to the Barnwell facility. If Chem-Nuclear determines to close the Barnwell site, there could be a material adverse affect on the Company's consolidated financial statements.

Chem-Nuclear also processes low-level radioactive waste at its customers' plants to enable such waste to be shipped in dry rather than liquid form to meet the requirements for receipt at disposal facilities and to reduce the volume of waste that must be transported. Processing operations include solidification, demineralization, dewatering and filtration. Other services offered by Chem-Nuclear include providing electro-chemical, abrasive and chemical removal of radioactive contamination, providing management services for spent nuclear fuel storage pools and storing and incinerating liquid radioactive organic wastes.

Through its Waste Management Federal Services, Inc. subsidiary, the Company provides hazardous, radioactive and mixed waste program and facilities management services, primarily to the U.S. Department of Energy and other federal government agencies. Such services include waste treatment, storage, characterization and disposal, and privatization services.

Independent Power Projects. The Company also operates and, in some cases, owns independent power projects which either cogenerate electricity and thermal energy or generate electricity alone for sale to customers, including utilities and private customers.

COMPETITION

The waste industry is still highly competitive despite the recent consolidation in the industry. See "Industry Overview." The Company encounters intense competition, primarily in the pricing and rendering of services, from various sources in all phases of its operations. The industry is comprised of a number of companies of various sizes, numerous municipalities and other regional or multi-governmental authorities, and large commercial and industrial companies handling their own waste collection or disposal operations. Local governmental entities are at times able to offer lower direct charges to the customer for the same service by subsidizing the cost of such services through the use of tax revenues and tax-exempt financing. Generally, however, municipalities do not provide significant commercial and industrial collection or waste disposal.

Operating costs, disposal costs, and collection fees vary widely throughout the geographic areas in which the Company operates. The prices that the Company charges are determined locally, and typically vary by the volume or weight, type of waste collected, treatment requirements, risks involved in the handling or disposing of waste, frequency of collections, distance to final disposal sites, labor costs and amount and type of equipment furnished to the customer. Long-term solid waste collection contracts typically contain a formula, generally based on published price indices, for automatic adjustment of fees.

The Company competes for landfill business on the basis of tipping fees, geographical location, and quality of operations. The Company's ability to obtain landfill volume may be limited by the fact that some major collection companies also own or operate landfills to which they internalize their waste. The Company competes for collection accounts primarily based on price and the quality of its services. Intense competition is encountered for both quality of service and pricing. From time to time, competitors may reduce the price of their services and accept lower profit margins in an effort to expand or maintain market share or to successfully obtain competitively bid contracts.

The Company provides residential collection services under a number of municipal contracts. Such contracts are subject to periodic competitive bidding, and there is no assurance that the Company will be the successful bidder and will be able to retain such contracts. If the Company is unable to replace any contract lost through the competitive bidding process with a comparable contract within a reasonable time period, the earnings of the Company could be adversely affected.

Increased public environmental awareness and certain mandated state regulations have resulted in increased recycling, composting and waste reduction efforts in many different areas of North America. Such efforts tend to reduce the amount of solid waste directed to landfills and waste-to-energy facilities. Although the Company believes that landfills and waste-to-energy facilities will continue to be the primary depository for solid waste well into the future, there can be no assurance that recycling, composting, and waste reduction efforts will not affect future disposal volumes. The effect, if any, on such volumes could also vary between different geographic regions as well as within individual market areas in each region.

The Company also encounters intense competition in pricing and rendering of services in its portable sanitation service business, from numerous large and small competitors. In addition, the Company's program and facilities management business encounters intense competition, primarily in pricing, quality and reliability of services, from various sources in all aspects of its business.

In its hazardous waste management operations, the Company encounters competition from a number of sources, including several national or regional firms specializing primarily in hazardous waste management, local waste management concerns and, to a much greater extent, generators of hazardous wastes which seek to reduce the volume of or otherwise process and dispose of such wastes themselves. The basis of competition is primarily technical expertise and the price, quality and reliability of service.

Similarly, WM International encounters intense competition from local companies and governmental entities in particular countries, as well as from major international companies. Pricing, quality of service and

type of equipment utilized are the primary methods of competition for collection services, and proximity of suitable treatment or disposal facilities, technical expertise, price, quality and reliability of services are the primary methods of competition for treatment and disposal services.

EMPLOYEES

At December 31, 1998, the Company had approximately 68,000 full-time employees, of which approximately 8,900 were employed in clerical, administrative, and sales positions, 2,700 in management, and the balance in collection, disposal, transfer station and other operations. Approximately 19,000 of the Company's employees are covered by collective bargaining agreements. The Company has not experienced a significant work stoppage, and management considers its employee relations to be good.

INSURANCE AND FINANCIAL ASSURANCE OBLIGATIONS

The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations. Some of these coverages are subject to varying retentions of risk by the Company. At December 31, 1998, the casualty coverages included \$2,000,000 primary commercial general liability and \$1,000,000 primary automobile liability (including coverage for pollution exposures arising out of trucking operations) supported by \$400,000,000 in umbrella insurance protection. The property policy provides insurance coverages for all of the Company's real and personal property, including California earthquake perils. The Company also carries \$200,000,000 in aircraft liability protection.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. This policy provides \$10,000,000 of coverage per loss with a \$20,000,000 aggregate limit.

Through the date of the WM Holdings Merger, certain of WM Holdings' auto, general liability and workers compensation risks were self insured up to \$5,000,000 per accident. See Note 17 to the consolidated financial statements of the Company included elsewhere herein.

To date, the Company has not experienced any difficulty in obtaining insurance. However, if the Company in the future is unable to obtain adequate insurance, or decides to operate without insurance, a partially or completely uninsured claim against the Company, if successful and of sufficient magnitude, could have a material adverse effect upon the Company's financial condition, results of operations or cash flows. Additionally, continued availability of casualty and EIL insurance with sufficient limits at acceptable terms is an important aspect of obtaining revenue-producing waste service contracts. The Company believes these are appropriate levels for its operations and that such levels meet applicable requirements of the various states and countries in which it operates.

Municipal and governmental waste management contracts typically require performance bonds or bank letters of credit to secure performance. In addition, the Company is required to provide financial assurance for closure and post-closure obligations with respect to its landfills. The Company has not experienced difficulty in obtaining performance bonds or letters of credit for its current operations. As of December 31, 1998, the Company had provided letters of credit of approximately \$2,089,100,000 and surety bonds of approximately \$521,807,000 to municipalities and other customers and other regulatory authorities supporting tax-exempt bonds, performance of landfill final closure and post-closure requirements, insurance contracts, and other contracts. Continued availability of surety bonds and letters of credit in sufficient amounts at acceptable rates is an important aspect of obtaining additional municipal collection contracts and obtaining or retaining disposal site operating permits.

REGULATION

General -- Potential Adverse Effect of Government Regulations

The Company's principal business activities are subject to extensive and evolving federal, state, local and foreign environmental, health, safety, and transportation laws and regulations. These regulations are administered by the EPA in the U.S., various other federal, state, and local environmental, zoning, health, and safety agencies in the U.S. and elsewhere, including the European Environmental Agency in Europe and various other national agencies outside of Europe. Many of these agencies periodically examine the Company's operations to monitor compliance with such laws and regulations.

Generally, the regulatory process requires the Company, and other companies in the industry, to obtain and retain numerous governmental permits to conduct various aspects of its operations, any of which may be subject to revocation, modification or denial. Particularly, the development, expansion, and operation of landfills and transfer stations are subject to extensive regulations governing siting, design, operations, monitoring, site maintenance, corrective action, financial assurance, and final closure and post-closure obligations. In order to construct, expand, and operate a landfill or transfer station, the Company must obtain and maintain one or more construction or operating permits and licenses and, in certain instances, applicable zoning approvals. Obtaining the necessary permits and approvals in connection with the acquisition, development, or expansion of a landfill or transfer station is difficult, time-consuming (often taking two to three years or more), and expensive, and is frequently opposed by local citizens as well as environmental groups. Once obtained, operating permits are subject to modification and revocation by the issuing agency. Compliance with current and future regulatory requirements may require the Company, as well as others in the waste management industry, from time to time, to make significant capital and operating expenditures.

For collection operations, regulation takes such forms as licensing collection vehicles, health and safety requirements, vehicular weight limitations, and, in certain localities, limitations on weight, area, time, and frequency of collection.

Federal, state, local and foreign governments have, from time to time, proposed or adopted other types of laws, regulations, or initiatives with respect to the environmental services industry, including laws, regulations, and initiatives to ban or restrict the international, interstate, or intrastate shipment of wastes, impose higher taxes on out-of-state waste shipments than on in-state shipments, limit the types of wastes that may be disposed of at existing landfills, mandate waste minimization initiatives, require recycling and yard waste composting, reclassify certain categories of nonhazardous waste as hazardous, and regulate disposal facilities as public utilities. Congress has from, time to time, considered legislation that would enable or facilitate such bans, restrictions, taxes, and regulations, many of which could adversely affect the demand for the Company's services. Similar types of laws, regulations, and initiatives have also, from time to time, been proposed or adjusted in other jurisdictions in which the Company operates. The effect of these and similar laws could be a reduction of the volume of waste that would otherwise be disposed of in the Company's landfills. The Company makes a continuing effort to anticipate regulatory, political, and legal developments that might affect its operations, but it is not always able to do so. The Company cannot predict the extent to which any legislation or regulation that may be enacted, amended, repealed, reinterpreted, or enforced in the future may affect its operations. Such actions could adversely affect the Company's operations or impact the Company's financial condition or earnings for one or more fiscal quarters or years.

In 1997, the EPA began requiring federal, state, or local permitting authorities receiving money from the EPA to consider the discriminatory effects that may result from permit issuances. The EPA will now entertain challenges to any such permits on the grounds that the permitted activities, alone or in conjunction with other permitted activities, subject minority communities to disparate exposure to pollution. The lack of specific standards in the EPA's guidance creates significant uncertainty about the effects any such challenges could have on the Company's ability to obtain or renew necessary permits.

The demand for certain of the services provided by the Company, particularly its hazardous waste management services, is dependent in part on the existence and enforcement of federal, state and foreign laws and regulations which govern the discharge of hazardous substances into the environment and on the funding

of agencies and programs under such laws and regulations. Such businesses will be adversely affected to the extent that such laws or regulations are amended or repealed, with the effect of reducing the regulation of, or liability for, such activity, that the enforcement of such laws and regulations is lessened or that funding of agencies and programs under such laws and regulations is delayed or reduced. In particular, the EPA continues to consider proposals under RCRA to redefine the term "hazardous waste" for regulatory purposes. Under some such proposals, wastes containing minimal concentrations of hazardous substances would no longer be subject to the stringent record-keeping, handling, treatment and disposal rules applied to hazardous wastes under RCRA. Other EPA proposals would cause certain wastes which presently must be managed in facilities approved under TSCA to be eligible for disposal in facilities not approved under TSCA. These proposals would, if adopted, reduce the volume of wastes for which the Company's hazardous waste management services are needed.

In addition to environmental laws and regulations, federal government contractors, including the Company, are subject to extensive regulation under the U.S. Federal Acquisition Regulation and numerous statutes which deal with the accuracy of cost and pricing information furnished to the U.S. government, the allowability of costs charged to the U.S. government, the conditions under which contracts may be modified or terminated, and other similar matters. Various aspects of the Company's operations are subject to audit by agencies of the U.S. government in connection with its performance of work under such contracts as well as its submission of bids or proposals to the U.S. government. Failure to comply with contract provisions or other applicable requirements may result in termination of the contract, the imposition of civil and criminal penalties against the Company, or the suspension or debarment of all or a part of the Company from U.S. government work, which could have a material adverse impact upon the Company's financial condition or earnings for one or more fiscal quarters or years. Among the reasons for debarment are violations of various statutes, including those related to employment practices, the protection of the environment, the accuracy of records and the recording of costs. Other governmental authorities have similar suspension and debarment laws or regulations or regulations which are applicable to their respective jurisdictions.

Governmental authorities have the power to enforce compliance with regulations and permit conditions and to obtain injunctions or impose fines in case of violations. During the ordinary course of its operations, the Company may, from time to time, receive citations or notices from such authorities that a facility is not in full compliance with applicable environmental or health and safety regulations. Upon receipt of such citations or notices, the Company will work with the authorities to address their concerns. Failure to correct the problems to the satisfaction of the authorities could lead to monetary penalties, curtailed operations, jail terms, facility closure, or an inability to obtain permits for additional sites.

As a result of changing government and public attitudes in the area of environmental regulation and enforcement, management anticipates that continually changing requirements in health, safety, and environmental protection laws will require the Company and others engaged in the waste management industry to continually modify or replace various facilities and alter methods of operation at costs that may be substantial. The Company's significant expenditures incurred in the operation of its disposal facilities relating to complying with the requirements of laws concerning the environment. These expenditures relate to facility upgrades, corrective actions, and facility final closure and post-closure care. The majority of these expenditures are made in the normal course of the Company's business and neither materially adversely affect the Company's earnings nor place the Company at any competitive disadvantage. Although the Company, to its knowledge, is currently in compliance in all material respects with all applicable federal, state, and local laws, permits, regulations, and orders affecting its operations where noncompliance would result in a material adverse effect on the Company's financial condition, results of operations or cash flows, there is no assurance that the Company will not have to expend substantial amounts for such actions in the future.

The Company expects to grow in part by acquiring existing landfills, transfer stations, and collection operations. Although the Company conducts due diligence investigations of the past waste management practices of the businesses that it acquires, it can have no assurance that, through its investigation, it will identify all potential environmental problems or risks. As a result, the Company may have acquired, or may in the future acquire, landfills or other properties or businesses that have unknown environmental problems and related liabilities. The Company will be subject to similar risks and uncertainties in connection with the

acquisition of closed facilities that had been previously operated by businesses acquired by the Company. The Company seeks to mitigate the foregoing risks by obtaining environmental representations and indemnities from the sellers of the businesses that it acquires. However, there can be no assurance that the Company will be able to rely on any such indemnities if an environmental liability exists.

Solid Waste

Operating permits are generally required at the state and local level for landfills, transfer stations and collection vehicles. Operating permits need to be renewed periodically and may be subject to revocation, modification, denial or non-renewal for various reasons, including failure of the Company to satisfy regulatory concerns. With respect to solid waste collection, regulation takes such forms as licensing of collection vehicles, truck safety requirements, vehicular weight limitations and, in certain localities, limitations on rates, area, time and frequency of collection. With respect to solid waste disposal, regulation covers various matters, including landfill location and design, groundwater monitoring, gas control, liquid runoff and rodent, pest, litter and traffic control. Zoning and land use requirements and limitations are encountered in the solid waste collection, transfer, recycling and energy recovery and disposal phases of the Company's business. In almost all cases the Company is required to obtain conditional use permits or zoning law changes in order to develop transfer station, resource recovery or disposal facilities. In addition, the Company's disposal facilities are subject to water and air pollution laws and regulations. Noise pollution laws and regulations may also affect the Company's operations. Governmental authorities have the power to enforce compliance with these various laws and regulations and violators are subject to injunctions, fines and revocation of permits. Private individuals may also have the right to sue to enforce compliance. Safety standards under the Occupational Safety and Health Act ("OSHA") are also applicable to the Company's solid waste and related services operations.

The EPA and various states acting pursuant to EPA-delegated authority have promulgated rules pursuant to RCRA which serve as minimum requirements for land disposal of municipal wastes. The rules establish more stringent requirements than previously applied to the siting, construction, operations, final closure and post-closure monitoring and maintenance of all but the smallest municipal waste landfill facilities. The Company does not believe that continued compliance with the more stringent minimum requirements will have a material adverse effect on the Company's operations. See also "RCRA" and "Superfund" below for additional regulatory information.

In March 1996, the EPA issued regulations that require large, municipal solid waste landfills to install and monitor systems to collect and control landfill gas. The regulations apply to landfills that are designed to accommodate 2.5 million cubic meters or more of municipal solid waste and that accepted waste for disposal after November 8, 1987, regardless of whether the site is active or closed. The date by which each affected landfill must have such a gas collection and control system depends on whether the landfill began operation before or after May 30, 1991. In the U.S., landfills constructed, reconstructed, modified or first accepting waste after May 30, 1991, generally must have had systems in place by late 1998. Older landfills are generally regulated by states and will be required to have landfill gas systems in place within approximately 30 months of EPA's approval of the state program. Many state solid waste regulations already require collection and control systems. Compliance with the new regulations is not expected to have a material adverse effect on the Company.

Hazardous Waste

The Company is required to obtain federal, state, local and foreign governmental permits for its hazardous waste treatment, storage and disposal facilities. Such permits are difficult to obtain, and in most instances, extensive geological studies, tests and public hearings are required before permits may be issued. The Company's hazardous waste treatment, storage and disposal facilities are also subject to siting, zoning and land use restrictions, as well as to regulations (including certain requirements pursuant to federal statutes) which may govern operating procedures and water and air pollution, among other matters. In particular, the Company's operations in the U.S. are subject to the Safe Drinking Water Act (which regulates deep well injection), TSCA (pursuant to which the EPA has promulgated regulations concerning the disposal of

polychlorinated biphenyls ("PCBs")), the Clean Water Act (which regulates the discharge of pollutants into surface waters and sewers by municipal, industrial and other sources) and the Clean Air Act (which regulates emissions into the air of certain potentially harmful substances). In transportation operations, the Company is subject to the jurisdiction of the Interstate Commerce Commission and regulated by the DOT and by regulatory agencies in each state. Employee safety and health standards under OSHA are also applicable.

All of the Company's hazardous waste treatment, storage or disposal facilities in the U.S. have been issued permits under RCRA. The regulations governing issuance of permits contain detailed standards for hazardous waste facilities on matters such as construction, waste analysis, security, inspections, training, preparedness and prevention, emergency procedures, reporting and recordkeeping, final closure and post-closure monitoring and maintenance. Once issued, a final permit has a maximum fixed term of ten years, and such permits for land disposal facilities are required to be reviewed five years from the date of issuance. The issuing agency (either the EPA or an authorized state) may review or modify a permit at any time during its term.

The Company believes that it maintains each of its operating treatment, storage or disposal facilities in substantial compliance with the applicable requirements promulgated pursuant to RCRA. It is possible, however, that the issuance or renewal of a permit could be made conditional upon the initiation or completion of modifications or corrective actions at facilities, which might involve substantial additional capital expenditures. Although the Company anticipates the reauthorization of each permit at the end of its term if the facility's operations are in compliance with applicable requirements, there can be no assurance that such will be the case.

The radioactive waste services of Chem-Nuclear are also subject to extensive governmental regulation. Due to the extensive geological and hydrogeological testing and environmental data required, and the complex political environment, it is difficult to obtain permits for radioactive waste disposal facilities. Various phases of Chem-Nuclear's low-level radioactive waste management services are regulated by various state agencies, the U.S. Nuclear Regulatory Commission (the "NRC") and the DOT. Regulations applicable to Chem-Nuclear's operations include those dealing with packaging, handling, labeling and routing of radioactive materials, and prescribe detailed safety and equipment standards and requirements for training, quality control and insurance, among other matters. Employee safety and health standards under OSHA are also applicable.

Waste-to-Energy and Related Services

The Company provides waste-to-energy and related services through its wholly-owned subsidiary WTI, which is now managed as part of the North American solid waste management service operations. WTI's business activities are subject to environmental regulation under federal, state and local laws and regulations. These regulations include the Clean Air Act, the Clean Water Act and RCRA. The Company believes that this business is conducted in material compliance with applicable laws and regulations. There can be no assurance, however, that such requirements will not change to the extent that it would materially affect the Company's consolidated financial statements. The Company believes that the air pollution control systems at certain waste-to-energy facilities owned or leased for use in these operations most likely will be required to be modified to comply with more stringent air pollution control standards adopted by the EPA in December 1995 for large municipal waste combustors. The compliance dates will vary by facility, but all affected facilities most likely will be required to be in compliance with the standards by the end of the year 2000. Currently available technologies are adequate to meet the new standards. Although the total expenditures required for such modifications are approximately \$200,000,000, they are not expected to have a material adverse effect on the Company's liquidity or results of operations because provisions in the impacted facilities' long-term waste supply agreements generally allow the Company to recover from customers the majority of incremental capital and operating costs. The customer's share of capital and financing costs is typically recovered over the remaining life of the waste supply agreements, and pro rata operating costs are recovered in the period incurred. There can be no assurance, however, the Company will be able to recover, for each project, all such increased costs from its customers. Moreover, it is possible that future developments, such as increasingly strict requirements of environmental laws, and enforcement policies thereunder, could affect the manner in

which the Company operates its waste-to-energy projects and conducts its business, including the handling, processing or disposal of the wastes, by-products and residues generated thereby.

Also, in May 1994, the U.S. Supreme Court ruled that state and local governments may not constitutionally restrict the free movement of waste in interstate commerce through the use of flow control laws. Such laws typically involve a local government specifying a jurisdictional disposal site for all solid waste generated within its borders. Since the ruling, several decisions of state or federal courts have invalidated regulatory flow control schemes in a number of jurisdictions. Other judicial decisions have upheld non-regulatory means by which municipalities may effectively control the flow of municipal solid waste. In addition, federal legislation has been proposed, but not yet enacted, to effectively grandfather existing flow control mandates. There can be no assurance that such alternatives to regulatory flow control will in every case be found lawful or that such legislation will be enacted into law. However, the Supreme Court's 1994 ruling and subsequent court decisions have not to date had a material adverse effect on any of the Company's waste-to-energy operations. In the event that such legislation is not adopted, the Company believes that affected municipalities will endeavor to implement alternative lawful means to continue controlling the flow of waste. In view of the uncertain state of the law at this time, however, the Company is unable to predict whether such efforts would be successful or what impact, if any, this matter might have on the Company's waste-to-energy facilities.

The Company's Gloucester County, New Jersey waste-to-energy facility historically relied on a disposal franchise for substantially all of its supply of municipal solid waste. On May 1, 1997, the Third Circuit Court of Appeals (the "Third Circuit") permanently enjoined the State of New Jersey from enforcing its franchise system as a form of unconditional solid waste flow control, but stayed the injunction for so long as any appeals were pending. On November 10, 1997, the U.S. Supreme Court announced its decision not to review the Third Circuit decision, thereby ending the stay and, effectively, the facility's disposal franchise. In response, the Gloucester facility lowered its prices. In early 1999, the Company entered into an agreement pursuant to which the Company will operate the Gloucester facility and provide disposal services under a new service agreement for the next ten years. As part of the agreement, Gloucester County has agreed to cooperate in a refinancing of the existing project debt. The refinancing, which is expected to close in the second quarter of 1999, will settle all disputes and release the existing letters of credit. As a result of the agreement and refinancing, the Company expects the Gloucester project to operate profitably, albeit at reduced levels, in the absence of regulatory control.

The Company's energy facilities in the U.S. are also subject to the provisions of various energy-related laws and regulations, including the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The ability of the Company's waste-to-energy and small power production facilities to sell power to electric utilities on advantageous terms and conditions and to avoid burdensome public utility regulation has historically depended, in part, upon the applicability of certain provisions of PURPA, which generally exempts the Company from state and federal regulatory control over electricity prices charged by, and the finances of, the Company and its energy-producing subsidiaries. As state legislatures and the U.S. Congress have accelerated their consideration of the manner in which economic efficiencies can be gained by deregulating the electric generation industry, utilities and others have taken the position that power sales agreements entered into pursuant to PURPA which provide for rates in excess of current market rates should be voidable as "stranded assets." The Company's power production facilities are qualifying facilities under PURPA and depend on the sanctity of their power sales agreements for their economic viability. Although a repeal or modification of PURPA is possible within the next two years, the Company believes that federal law offers strong protection to the PURPA contracts and recent state and federal agency and court decisions have unanimously upheld the inviolate nature of these contracts. In addition, state legislative actions to date have not attempted to abrogate these contracts. While there is some risk that future utility restructurings, court decisions and/or legislative or administrative action in this area could have an adverse effect on the business of the Company, in light of recent developments, the Company currently believes such risk is remote. In addition, the passage of the Energy Policy Act of 1992 created an alternative ownership mechanism by which the Company's future independent power projects would be able to participate in the electricity generation industry without the burdens of traditional public utility regulation. For those reasons, the operations of existing waste-to-energy

and other small power production facilities business are not currently expected to be materially and adversely affected if the various benefits of PURPA are repealed or substantially reduced on a prospective basis. However, the Company can give no assurances that future utility restructurings, court decisions or legislative or administrative action in this area will not have a material adverse impact on its consolidated financial statements.

RCRA

Pursuant to RCRA, the EPA has established and administers a comprehensive, "cradle-to-grave" system for the management of a wide range of industrial by-products and residues identified as "hazardous" wastes. States that have adopted hazardous waste management programs with standards at least as stringent as those promulgated by the EPA may be authorized by the EPA to administer their programs in lieu of RCRA.

Under RCRA and federal transportation laws, a transporter must deliver hazardous waste in accordance with a manifest prepared by the generator of the waste and only to a treatment, storage or disposal facility having a RCRA permit or interim status under RCRA. Every facility that treats or disposes of hazardous wastes must obtain a RCRA permit from the EPA or an authorized state and must comply with certain operating standards. The RCRA permitting process involves applying for interim status and also for a final permit. Under RCRA and the implementing regulations, facilities which have obtained interim status are allowed to continue operating by complying with certain minimum standards pending issuance of a permit.

RCRA also imposes restrictions on land disposal of certain hazardous wastes and prescribes standards for hazardous waste land disposal facilities. Under RCRA, land disposal of certain types of untreated hazardous wastes has been banned except where the EPA has determined that land disposal of such wastes and treatment residuals should be permitted. The disposal of liquids in hazardous waste land disposal facilities is also prohibited.

The EPA, from time to time, considers fundamental changes to its regulations under RCRA that could facilitate exemptions from hazardous waste management requirements, including policies and regulations that could implement the following changes: redefine the criteria for determining whether wastes are hazardous; prescribe treatment levels which, if achieved, could render wastes nonhazardous; encourage further recycling and waste immunization; reduce treatment requirements for certain wastes to encourage alternatives to incineration; establish new operating standards for combustion technologies; and indirectly encourage on-site remediation. To the extent such changes are adopted, they can be expected to adversely affect the demand for the Company's hazardous waste management services. In this regard, the EPA has recently proposed regulations which would have the effect of reducing the volume of waste classified as hazardous for RCRA regulatory purposes.

In addition to the foregoing provisions, RCRA regulations require the Company to demonstrate financial responsibility for possible bodily injury and property damage to third parties caused by both sudden and nonsudden accidental occurrences. See "-- Insurance and Financial Insurance Obligations." Also, RCRA regulations require the Company to provide financial assurance that funds will be available when needed for closure and post-closure care at its waste treatment, storage and disposal facilities, the costs of which could be substantial. Such regulations allow the financial assurance requirements to be satisfied by various means, including letters of credit, surety bonds, trust funds, a financial (net worth) test and a guarantee by a parent corporation. Under RCRA regulations, a company must pay the closure costs for a waste treatment, storage or disposal facility owned by it upon the closure of the facility and thereafter pay post-closure care costs. If such a facility is closed prior to its originally anticipated time, it is unlikely that sufficient funds or reserves will have been accrued over the life of the facility to provide for such costs, and the owner of the facility could suffer a material adverse impact as a result. Consequently, it may be difficult to close such facilities to reduce operating costs at times when, as is currently the case in the hazardous waste services industry, excess treatment, storage or disposal capacity exists.

Superfund

Among other things, Superfund generally provides for the remediation of sites from which there has been a release or threatened release of a hazardous substance into the environment. Superfund imposes joint and several liability for the costs of remediation and for damages to natural resources upon the present and former owners or operators of facilities or sites from which there is a release or threatened release of hazardous substances. Waste generators and waste transporters are also strictly liable. Under the authority of CERCLA, detailed requirements apply to the manner and degree of remediation of facilities and sites where hazardous substances have been or are threatened to be released into the environment.

Liability under CERCLA is not dependent upon the intentional disposal of "hazardous wastes," as defined under RCRA. It can be founded upon a release or threatened release, even as a result of lawful, unintentional, and non-negligent action, of any one of more than 700 "hazardous substances," including very small quantities of such substances. CERCLA requires the EPA to establish a National Priorities List ("NPL") of sites at which hazardous substances have been or are threatened to be released and which require investigation or remediation. The EPA's primary way of determining whether a site is to be included on the NPL is the Hazard Ranking System, which evaluates the relative potential for a release of hazardous substances to pose a threat to human health or the environment pursuant to a scoring system based on factors grouped into three categories: (1) likelihood of release, (2) hazardous substance characteristics, and (3) receptors. As of February 1999, the EPA had proposed or identified approximately 10,000 sites for preliminary assessment. These sites are compiled on the Comprehensive Environmental Response, Compensation, and Liability Information System ("CERCLIS") list. The identification of a site on the CERCLIS list indicates only that the site has been brought to the attention of the EPA and will undergo an assessment of environmental conditions thereon, but it does not necessarily mean that an actual health or environmental threat currently exists or has ever existed.

More than 23% of the sites on the NPL are solid waste landfills. Thus, even if the Company's landfills have never received "hazardous wastes" as such, one or more hazardous substances may have come to be located at its landfills. Because of the extremely broad definition of "hazardous substances," the same is true of other industrial properties with which the Company or its predecessors has been, or with which the Company may become, associated as an owner or operator. Consequently, if there is a release or threatened release of such substances into the environment from a site currently or previously owned or operated by the Company, the Company could be liable under CERCLA for the cost of removing such hazardous substances at the site, remediation of contaminated soil or groundwater, and for damages to natural resources, even if those substances were deposited at the Company's facilities before the Company acquired or operated them. Given the limited amount of EIL insurance maintained by the Company as compared to the substantial cost of a CERCLA cleanup, a finding of such liability could have a material adverse impact on the Company's business and financial condition. See "-- Insurance and Financial Assurance Obligations."

Under CERCLA, the Company may not be liable for the remediation of a disposal site that was never owned or operated by the Company ("third party site") containing hazardous substances transported to such site by the Company if the site was selected by the generator of the hazardous substance. However, the Company would be responsible for any hazardous substances during actual transportation. Also, the Company could be liable under CERCLA for environmental contamination caused by the release of hazardous substances transported by the Company where the Company selected the disposal site. CERCLA imposes liability for certain environmental response measures upon transporters who selected the disposal site at which a release or threatened release of hazardous substances occurs. It therefore is common in the solid waste transport business to receive information requests from the EPA about transporting activities to disposal sites. The Company has received information requests regarding transporting activities to its own disposal sites as well as third party sites. The environmental agencies or other potentially responsible parties could assert that the Company is liable for environmental response measures arising out of disposal at a third party site that was selected by the Company, a waste transporter acquired by the Company, or a waste transporter with whom the Company contracted.

Several bills have been introduced in the U.S. Congress to reauthorize and substantially amend CERCLA. In addition to possible changes in the statute's funding mechanisms and provisions for allocating cleanup responsibility, Congress may also fundamentally alter the statute's provisions governing the selection of appropriate site remedial action. In this regard, new approaches to cleanup, removal, treatment, and remediation of hazardous substance releases may be adopted which rely on nationally or site-specific risk based standards. These types of policy changes could significantly affect the stringency and extent of site remediation, the types of remediation techniques employed, and the types of waste management facilities that may be used for the treatment and disposal of hazardous substances. Congress may additionally consider revision of the liability imposed by CERCLA on current owners of property for contamination caused prior to a party's acquisition of a site. This consideration could potentially reduce responsibility for remediation obligations under CERCLA that the Company could otherwise incur.

International Waste Management and Related Services

The Company's international operations, which are conducted through WM International, are subject to the general business, liability, land-use planning and other environmental laws and regulations of the countries where the services are performed and, in Europe, to European Union ("EU") regulations and directives. The degree of local enforcement of applicable laws and regulations varies substantially between, and even within, the various countries in which WM International operates. In addition to the statutes and regulations imposed by national, state or provincial, and municipal or other local authorities, many of the countries in which WM International operates are members of the EU. The EU has issued and continues to issue environmental directives and regulations covering a broad range of environmental matters and has created a European Environmental Agency responsible for monitoring and collating member state environmental data. The Single European Act, passed in 1987, established three fundamental principles to guide the development of future EU environmental law: (i) the need for preventative action; (ii) the correction of environmental problems at the source; and (iii) the polluter's liability for environmental damage.

The Treaty on European Union, signed in December 1991, came into force in November 1993. Revised in Amsterdam in June 1997, the Treaty now regards "sustainable development" as a key component of EU policy-making and requires that environmental protection be integrated into the definition and application of all EU laws.

The impact of current and future EU legislation will vary from country to country according to the degree to which existing national requirements already meet or fall short of the new EU standards and, in some jurisdictions, may require extensive public and private sector investment and the development and provision of the necessary technology, expertise, administrative procedures and regulatory structures. These extensive laws and regulations are continually evolving in response to technological advances and heightened public and political concern.

Outside Europe, continuing industrialization, population expansion and urbanization have caused increased levels of pollution with all of the resultant social and economic implications. The desire to sustain economic growth and address historical pollution problems is being accompanied by investments in environmental infrastructure and the introduction of regulatory standards to further control industrial activities.

The Company believes that WM International's business is conducted in material compliance with applicable laws and regulations and does not anticipate that maintaining such compliance will adversely affect the Company's consolidated financial statements or operations. There can be no assurance, however, that such requirements will not change so as to require significant additional expenditures or operating costs.

State and Local Regulation

The states in which the Company operates have their own laws and regulations that may be more strict than comparable federal laws and regulations governing hazardous and nonhazardous solid waste disposal, water and air pollution, releases and cleanup of hazardous substances and liability for such matters. The states also have adopted regulations governing the siting, design, operation, maintenance, final closure, and post-closure maintenance of landfills and transfer stations. The Company's facilities and operations are likely to be

subject to many, if not all, of these types of requirements. In addition, the Company's collection and landfill operations may be affected by the trend in many states toward requiring the development of waste reduction and recycling programs. For example, several states have enacted laws that require counties to adopt comprehensive plans to reduce, through waste planning, composting, recycling, or other programs, the volume of solid waste deposited in landfills. Additionally, the disposal of yard waste in solid waste landfills has been banned in several states. Legislative and regulatory measures to mandate or encourage waste reduction at the source and waste recycling have also been considered from time to time by the U.S. Congress and the EPA.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of hazardous and nonhazardous solid waste generated outside the state. While laws that overtly discriminate against out-of-state waste have been found to be unconstitutional, some laws that are less overtly discriminatory have been upheld in court. Additionally, certain state and local governments have enacted "flow control" regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific disposal sites. In May 1994, the U.S. Supreme Court ruled that a flow control ordinance was unconstitutional. Recently, lower courts have refused to overturn locally enacted ordinances which effectively circumvent the Supreme Court's ruling. Whether these laws will survive the appellate process is uncertain. From time to time, the U.S. Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of extraterritorial waste, and granting states and local governments authority to enact partial flow control legislation. To date, such congressional efforts have been unsuccessful. The U.S. Congress' adoption of such legislation allowing for restrictions on importation of extraterritorial waste or certain types of flow control, or the adoption of legislation affecting interstate transportation of waste at the federal or state level, could adversely affect the Company's solid waste management services, including collection, transfer, disposal, and recycling operations, and in particular the Company's ability to expand landfill operations acquired in certain areas.

Many states and local jurisdictions in which the Company operates have enacted "fitness" laws that allow agencies having jurisdiction over waste services contracts or permits to deny or revoke such contracts or permits on the basis of an applicant's (or permit holder's) compliance history. These laws authorize the agencies to make determinations of an applicant's fitness to be awarded a contract or to operate and to deny or revoke a contract or permit because of unfitness absent a showing that the applicant has been rehabilitated through the adoption of various operating policies and procedures put in place to assure future compliance with applicable laws and regulations.

FACTORS INFLUENCING FUTURE RESULTS AND ACCURACY OF FORWARD-LOOKING STATEMENTS

In the normal course of its business, the Company, in an effort to help keep its stockholders and the public informed about the Company's operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward-looking statements, as that term is defined in the U.S. federal securities laws. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, projected or anticipated benefits from acquisitions made by or to be made by the Company, or projections involving anticipated revenues, earnings, or other aspects of operating results. The words "may," "expect," "believe," "anticipate," "project," "estimate," their opposites and similar expressions are intended to identify forward-looking statements. The Company cautions readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements and the projections upon which the statements are based, including but not limited to those discussed below. As noted elsewhere in this report, all phases of the Company's operations are subject to a number of uncertainties, risks, and other influences, many of which are outside the control of the Company, and any one of which, or a combination of which, could materially affect the Company's consolidated financial statements and operations and whether forward-looking statements made by the Company ultimately prove to be accurate.

The following discussion outlines certain factors that could affect the Company's consolidated financial statements for 1999 and beyond and cause them to differ materially from those that may be set forth in forward-looking statements made by or on behalf of the Company:

Potential Difficulties in Continuing to Expand and Manage Growth

The Company has experienced rapid growth, primarily through acquisitions. The Company's future financial results and prospects depend in large part on its ability to successfully manage and improve the operating efficiencies and productivity of these acquired operations. In particular, whether the anticipated benefits of acquired operations are ultimately achieved will depend on a number of factors, including the ability of the Company to achieve administrative cost savings, rationalization of collection routes, insurance and bonding cost reductions, general economies of scale, and the ability of the Company, generally, to capitalize on its asset base and strategic position. Moreover, the ability of the Company to continue to grow will depend on a number of factors, including competition from other waste management companies, availability of attractive acquisition opportunities and the ability to mitigate anti-trust concerns related to acquisitions in several markets, availability of working capital, ability to maintain margins on existing or acquired operations, and the management of costs in a changing regulatory environment. There can be no assurance that the Company will be able to continue to expand and successfully manage its growth or that the pace of its growth will not adversely affect its existing or acquired operations.

Potential Risks of Acquisition Strategy

The Company regularly pursues opportunities to expand through the acquisition of additional waste management businesses and operations that can be effectively integrated with the Company's existing operations. In addition, the Company regularly pursues mergers and acquisition transactions, some of which are significant, in new markets where the Company believes that it can successfully become a provider of integrated waste management services. As one of the leading industry consolidators, the Company could announce transactions with either publicly or privately owned businesses at any time.

The Company's acquisition strategy involves certain potential risks. These include the risk that the Company may not accurately assess all of the pre-existing liabilities of acquired companies and that the Company may encounter unexpected difficulties in successfully integrating the operations of acquired companies with the Company's existing operations. Although the Company generally has been successful in implementing its acquisition strategy, there can be no assurance that attractive acquisition opportunities will continue to be available to the Company, that the Company will have access to the capital required to finance potential acquisitions on satisfactory terms, or that any businesses acquired will prove profitable. Future acquisitions may result in the incurrence of additional indebtedness or the issuance of additional equity securities.

International Operations

Operations in foreign countries generally are subject to a number of risks inherent in any business operating in foreign countries, including political, social, economic instability, and inflation, general strikes, nationalization of assets, currency restrictions and exchange rate fluctuations, nullification, modification or renegotiation of contracts, and governmental regulation, all of which are beyond the control of the Company. No prediction can be made as to how existing or future foreign governmental regulations in any jurisdiction may affect the Company in particular or the waste management industry in general.

Capital Requirements

The Company expects to generate sufficient cash flow from its operations in 1999 to cover its anticipated cash needs for capital expenditures and acquisitions. If the Company's cash flow from operations during 1999 is less than currently expected, or if the Company's capital requirements increase, either due to strategic decisions or otherwise, the Company may elect to incur future indebtedness or issue equity securities to cover any additional capital needs. However, there can be no assurance that the Company will be successful in

obtaining additional capital on acceptable terms through such debt incurrences or issuances of additional equity securities. Additionally, there can be no assurances that the Company will be successful in renewing its existing credit facility, which must be renewed annually, or that any such renewal will be on terms acceptable to the Company. Any failure by the Company to successfully renew its existing credit facility, or to obtain other financing sources could have a material adverse effect on the Company's consolidated financial statements. See Note 5 to the consolidated financial statements included elsewhere herein.

The Company has historically used variable rate debt under revolving bank credit arrangements as one method of financing its rapid growth. Although recent financings by the Company have reduced the amount of variable rate debt as a percentage of total indebtedness outstanding, the Company intends to continue to use variable rate debt as a financing alternative. To the extent that variable interest rates tend to fluctuate as general interest rates change, an increase in interest rates could have a material adverse effect on the Company's earnings in the future.

Effect of Competition on Profitability

The waste management industry is highly competitive. In North America, the industry consists of several large national waste management companies, and numerous local and regional companies of varying sizes and financial resources. The Company competes with numerous waste management companies, and 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. In addition, competitors may reduce their prices to expand sales volume or to win competitively bid municipal contracts. Profitability may decline because of the national emphasis on recycling, composting, and other waste reduction programs that could reduce the volume of solid waste collected or deposited in disposal facilities.

Although the Company is a leading provider of waste management and related services outside of North America, the Company does not believe that any non-governmental entity accounts for a material portion of the very decentralized, highly fragmented international market. In some markets, however, the Company competes with substantial companies which hold significant market shares, particularly in Finland, Germany, the Netherlands, Sweden and the United Kingdom. The international waste management and related services industry is highly competitive and certain aspects require substantial human and capital resources. The Company encounters intense competition from governmental, quasi-governmental and private sources in all aspects of its international operations.

Some competitors of the Company in its international operations may have greater financial resources and may have greater technical resources with respect to specific matters. Particularly with respect to larger contracts, such as for city-cleaning services, contracts or bids with respect to the construction or development of water and wastewater facilities, or permitting and development of a new treatment facility, waste-to-energy facility, incinerator or landfill, the Company may be required to commit substantial resources over a long period of time during the proposal phase without any assurance of successfully obtaining the contract.

Capitalized Expenditures

In accordance with generally accepted accounting principles, the Company capitalizes certain expenditures and advances relating to acquisitions, pending acquisitions, and disposal site development and expansion projects. The Company expenses indirect acquisition costs, such as executive salaries, general corporate overhead, public affairs and other corporate services, as incurred. The Company's policy is to charge against earnings any unamortized capitalized expenditures and advances relating to any facility or operation that is permanently shut down, any pending acquisition that is not consummated, and any disposal site development or expansion project that is not completed. The charge against earnings is reduced by any portion of the capitalized expenditure and advances that the Company estimates will be recoverable, through sale or otherwise. In future periods, the Company may be required to incur a charge against earnings in accordance with such policy. Depending on the magnitude of any such charge, it could have a material adverse effect on the Company's consolidated financial statements.

Restrictions and Costs Associated with Government Regulation

The Company's operations are substantially affected by stringent government regulations at the federal, state and local level in the U.S. and in other countries. These laws, rules, orders and interpretations govern environmental protection, health and safety, land use, zoning, and other matters. They may impose restrictions on operations that could adversely affect the Company's results of operations and financial condition, such as limitations on the expansion of waste disposal, transfer or processing facilities, limitations or bans on disposal of out-of-state waste or certain categories of waste, or mandates regarding the disposal of solid waste. In order to develop, expand or operate a landfill or other waste management facility, the Company must obtain and maintain in effect various facility permits and other governmental approvals, including those relating to zoning, environmental protection and land use. These permits and approvals are difficult, time consuming and costly to obtain, in part because of possible opposition by governmental officials or citizens. In addition, these permits and approvals may contain conditions that limit operations and the Company's ability to change the facility.

There can be no assurance that the Company will be successful in obtaining and maintaining in effect permits and approvals required for the successful operation and growth of its business, including permits and approvals for the development of additional disposal capacity needed to replace existing capacity that is exhausted. The siting, design, operation and closure of landfills are also subject to extensive regulations. These regulations could also require the Company to undertake investigatory or remedial activities, to curtail operations or to close a landfill temporarily or permanently. Future changes in these regulations may require the Company to modify, supplement, or replace equipment or facilities at costs which could be substantial.

In the U.S., court decisions have ruled that state and local governments may not use regulatory flow control laws constitutionally to restrict the free movement of waste in interstate commerce. The Company cannot predict what impact, if any, these decisions will have on its disposal facilities.

Potential Environmental Liability and Insurance

The Company could be liable if its disposal facilities and collection operations cause environmental damage to the Company's properties or to nearby landowners, particularly as a result of the contamination of drinking water sources or soil, including damage resulting from conditions existing prior to the acquisition of such assets or operations. Also, the Company could be liable for any off-site environmental contamination caused by hazardous substances, the transportation, disposal or treatment of which was arranged for by the Company or predecessor owners where the Company is liable as a successor to such prior owners. Any substantial liability for environmental damage could materially adversely affect the operating results and financial condition of the Company.

In the ordinary course of its business, the Company may become involved in a variety of legal and administrative proceedings relating to land use and environmental laws and regulations. These may include proceedings by foreign, federal, state or local agencies seeking to impose civil or criminal penalties on the Company for violations of such laws and regulations, or to impose liability on the Company under applicable statutes, or to revoke or deny renewal of a permit; actions brought by citizens groups, adjacent landowners or governmental agencies opposing the issuance of a permit or approval to the Company or alleging violations of the permits pursuant to which the Company operates or laws or regulations to which the Company is subject; and actions seeking to impose liability on the Company for any environmental damage at its owned or operated facilities (or at facilities formerly owned by the Company or its predecessors or facilities at which the Company or its predecessors arranged for the disposal of hazardous substances) or damage that those facilities or other properties may have caused to adjacent landowners or others, including groundwater or soil contamination. The adverse outcome of one or more of these proceedings could have a material adverse effect on the Company's financial position, results of operations or cash flows.

During the ordinary course of operations, the Company has from time to time received, and expects that it may in the future from time to time receive, citations or notices from governmental authorities that its operations are not in compliance with its permits or certain applicable environmental or land use laws and regulations. The Company generally seeks to work with the authorities to resolve the issues raised by such

citations or notices. There can be no assurance, however, that the Company will always be successful in this regard or that such future citations or notices will not have a materially adverse effect on the Company's financial position, results of operations or cash flows.

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

Alternatives to Landfill Disposal and Waste-to-Energy Facilities

Alternatives to disposal, such as recycling and composting, are increasingly being used. There also has been an increasing trend to mandate recycling and waste reduction at the source and to prohibit the disposal of certain types of wastes, such as yard wastes, at landfills or waste-to-energy facilities. These developments could reduce the volume of waste going to landfills and waste-to-energy facilities in certain areas, which may affect the Company's ability to operate its landfills and waste-to-energy facilities at full capacity, and the prices that can be charged for landfill disposal and waste-to-energy services.

Dependence on Key Personnel

The Company's business is partially dependent upon the performance of certain of its executive officers. The Company is particularly dependent upon John E. Drury, Chief Executive Officer of the Company, because of his knowledge of the Company's operations as well as his industry experience. The Company has entered into employment agreements with its executive officers. Notwithstanding such agreements, there can be no assurance that the Company will be able to retain such officers or that it will be able to enforce non-compete provisions that are contained in such agreements in the event of their departure. The loss of the services of the Company's management could have a material adverse effect upon the Company. The Company is in the process of establishing a formalized management succession plan to prepare itself in the event of an unexpected departure.

Recyclable Materials Price Fluctuations

Recyclable materials processed by the Company for sale include paper, plastics, aluminum and other commodities which are subject to significant price fluctuations. These fluctuations will affect the Company's future operating revenues and income.

Matters Related to WM Holdings Accounting Practices

The U.S. Securities and Exchange Commission has commenced a formal investigation with respect to WM Holdings' previously filed financial statements (which were subsequently restated) and the related accounting policies, procedures and system of internal controls. The Company is fully cooperating with such investigations. Additionally, several lawsuits and claims have been filed against WM Holdings and several of its former officers and directors in connection with the restatement of WM Holdings' financial statements. The Company is unable to predict the outcome or impact of the investigation or any previously filed or future lawsuits or claims arising out of the restatement at this time. See "Legal Proceedings."

Seasonality

The Company's 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 the Company operates usually decreases during the winter months. The Company's first and fourth quarter results of operations typically reflect this seasonality.

ITEM 2. PROPERTIES.

The principal property and equipment of the Company consists of land (primarily disposal sites), buildings, waste treatment or processing facilities (other than disposal sites) and vehicles and equipment. The Company owns or leases real property in most locations in which it is doing business. At December 31, 1998, the Company owned and operated 246 active disposal sites in North America, which aggregated approximately 119,700 acres of land, including approximately 28,000 permitted acres for landfill use. Additionally, the Company operated 32 disposal sites in North America through leasing arrangements, which aggregated approximately 7,700 total acres, including approximately 2,000 acres permitted for landfill use as well as operated an additional 27 disposal sites through agreements with municipalities. At December 31, 1998, pursuant to certain governmental orders, the Company had for sale, 12 landfill sites, consisting of approximately 4,700 total acres of which 1,700 were permitted for landfill utilization. The WM International landfill operations at December 31, 1998, included 39 sites, which aggregated approximately 2,630 total acres, including approximately 2,045 acres which were permitted for landfill use. Furthermore, the Company owned or operated through agreements 23 waste-to-energy facilities in North America. See "Business -- Acquisition Activity and Divestitures."

The Company leases approximately 193,000 square feet of office space in Houston, Texas, for its executive offices under leasing arrangements expiring through 2008. For the year ended December 31, 1998, aggregate annual rental payments on real estate leased by the Company were approximately \$133,002,000.

The Company owns approximately 53,000 items of equipment, including waste collection vehicles and related support vehicles, as well as bulldozers, compactors, earth movers, and other related heavy equipment and vehicles used in landfill operations. The Company has approximately 2,580,000 steel containers in use, ranging from one to 45 cubic yards, and a number of stationary compactors and self-dumping hoppers.

The Company believes that its vehicles, equipment, and operating properties are well maintained and adequate for its current operations. However, the Company expects to make substantial investments in additional equipment and property for expansion, for replacement of assets, and in connection with future acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 3. LEGAL PROCEEDINGS.

A Company subsidiary has been involved in litigation challenging a municipal zoning ordinance which restricted the height of its New Milford, Connecticut, landfill to a level below that allowed by the permit previously issued by the Connecticut Department of Environmental Protection ("DEP"). Although a lower Court had declared the zoning ordinance's height limitation unconstitutional, during 1995 the Connecticut Supreme Court reversed this ruling and remanded the case for further proceedings in the Superior Court. In November 1995, the Superior Court ordered the subsidiary to apply for all governmental permits needed to remove all waste above the height allowed by the zoning ordinance, and the Connecticut Supreme Court has upheld that ruling. In September 1998, the Company reached a settlement with the town of New Milford, requiring annual payments to the town for a 25 year period. The settlement agreement was adopted by the Superior Court, which modified its order by substituting the payments for the removal of the waste.

In November and December 1997, several alleged purchasers of WM Holdings securities (including but not limited to WM Holdings common stock), who allegedly bought their securities between 1996 and 1997, brought 14 purported class action lawsuits against WM Holdings and several of its former officers in the U.S. District Court for the Northern District of Illinois. Each of these lawsuits asserted that the defendants violated the federal securities laws by issuing allegedly false and misleading statements in 1996 and 1997 about WM Holdings' financial condition and results of operations. Among other things, the plaintiffs alleged that WM Holdings employed accounting practices that were improper and that caused its publicly filed financial statements to be materially false and misleading. The lawsuits demanded, among other relief, unspecified compensatory damages, pre- and post-judgement interest, attorneys' fees, and the costs of conducting the litigation. In January 1998, the 14 putative class actions were consolidated before one judge. On May 29, 1998, the plaintiffs filed a consolidated amended complaint against WM Holdings and four of its former officers. The consolidated amended complaint seeks recovery on behalf of a proposed class of all purchasers of WM Hold-

ings securities between May 29, 1995, and October 30, 1997. The consolidated amended complaint alleges, among other things, that WM Holdings filed false and misleading financial statements beginning in 1991 and continuing through October 1997 and seeks recovery for alleged violations of the federal securities laws between May 1995 and October 1997. In December 1998, the Company announced an agreement to settle the consolidated action against all defendants and establish a settlement fund of \$220,000,000 for the class of open market purchasers of WM Holdings equity securities between November 3, 1994, and February 24, 1998. The settlement agreement with the plaintiffs is subject to various conditions, including preliminary approval by the Court, notice to the class and final approval by the Court after a hearing. There can be no assurances that the Court will find the settlement to be fair to the class or that, because members of the class may opt out of the lawsuit, WM Holdings will not be a party to additional lawsuits or claims brought by individuals.

The Company is aware of another action arising out of the same set of facts alleging a cause of action under Illinois state law. Additionally, there are several other actions and claims arising out of the same set of facts, including one purported class action brought by business owners who received WM Holdings shares in the sales of their businesses to WM Holdings that alleges breach of contract causes of action on the basis of allegedly false representation and warranties. A purported derivative action has also been filed by an alleged former shareholder of WM Holdings against certain former officers and directors of WM Holdings and nominally against WM Holdings to recover damages caused to WM Holdings as a result of the matter described in this paragraph. It is not possible at this time to predict the impact this litigation may have on WM Holdings or the Company, nor is it possible to predict whether any other suits or claims arising out of these matters may be brought in the future. However, it is reasonably possible that the outcome of any present or future litigation may have a material adverse impact on their respective financial condition or results of operations in one or more future periods. WM Holdings intends to defend itself vigorously in the litigation.

The Company is also aware that the U.S. Securities and Exchange Commission has commenced a formal investigation with respect to the WM Holdings previously filed financial statements (which were subsequently restated) and related accounting policies, procedures and system of internal controls. The Company intends to cooperate with such investigation. The Company is unable to predict the outcome or impact of this investigation at this time.

On March 12, 1998, a stockholder of WM Holdings filed a purported class action suit in the Chancery Court of the State of Delaware in the New Castle County against WM Holdings and certain of its former directors. The complaint alleges, among other things, that (i) the Merger was the product of unfair dealing and the price paid to members of the purported class for their WM Holdings common stock was unfair and inadequate, (ii) the WM Holdings Merger will prevent members of the purported class from receiving their fair portion of the value of WM Holdings' assets and business and from obtaining the real value of their equity ownership of WM Holdings, (iii) defendants breached their fiduciary duties owed to the members of the purported class by putting their personal interests ahead of the interests of WM Holdings' public stockholders and (iv) the members of the class action will suffer irreparable damage unless the defendants are enjoined from breaching their fiduciary duties. The complaint seeks equitable relief that would rescind the WM Holdings Merger and monetary damages from the defendants for unlawfully gained profits and special benefits. The Company believes the suit to be without merit and intends to contest it vigorously.

The continuing business in which the Company is engaged is intrinsically connected with the protection of the environment and the potential for the unintended or unpermitted discharge of materials into the environment. In the ordinary course of conducting its business activities, the Company becomes involved in judicial and administrative proceedings involving governmental authorities at the foreign, federal, state and local level, including, in certain instances, proceedings instituted by citizens or local governmental authorities seeking to overturn governmental action where governmental officials or agencies are named as defendants together with the Company or one or more of its subsidiaries, or both. In the majority of the situations where proceedings are commenced by governmental authorities, the matters involved relate to alleged technical violations of licenses or permits pursuant to which the Company operates or is seeking to operate or laws or regulations to which its operations are subject or are the result of different interpretations of the applicable requirements. From time to time, the Company pays fines or penalties in environmental proceedings relating primarily to waste treatment, storage or disposal facilities. As of December 31, 1998, two Company

subsidiaries engaged in providing hazardous waste and municipal solid waste management services respectively, were each involved in proceedings where it is believed that sanctions involved may exceed \$100,000. The Company believes that these matters will not have a material adverse effect on its results of operations or financial condition. However, the outcome of any particular proceeding cannot be predicted with certainty, and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies or other factors could materially alter this expectation at any time.

The Company or certain of its subsidiaries have been identified as potentially responsible parties in a number of governmental investigations and actions relating to waste disposal facilities which may be subject to remedial action under Superfund. The majority of these proceedings are based on allegations that certain subsidiaries of the Company (or their predecessors) transported hazardous substances to the sites in question, often prior to acquisition of such subsidiaries by the Company. Such proceedings arising under Superfund typically involve numerous waste generators and other waste transportation and disposal companies and seek to allocate or recover costs associated with site investigation and cleanup, which costs could be substantial.

As of December 31, 1998, the Company or its subsidiaries had been notified that they are potentially responsible parties in connection with 88 locations listed on the NPL. Of the 88 NPL sites at which claims have been made against the Company, 17 are sites which the Company has come to own over time. All of the NPL sites owned by the Company were initially sited by others as land disposal facilities. At each of the 17 owned facilities, the Company is working in conjunction with the government to characterize or to remediate identified site problems. In addition, at these 17 facilities the Company has either agreed with other legally liable parties on an arrangement for sharing the costs of remediation or is pursuing resolution of an allocation formula. The 71 NPL sites at which claims have been made against the Company and which are not owned by the Company are at different procedural stages under Superfund. At some of these sites, the Company's liability is well defined as a consequence of a governmental decision as to the appropriate remedy and an agreement among liable parties as to the share each will pay for implementing that remedy. At others, where no remedy has been selected or the liable parties have been unable to agree on an appropriate allocation, the Company's future costs are uncertain.

The Company periodically reviews its role, if any, with respect to each such site, giving consideration to the nature of the Company's alleged connection to the location (e.g., owner, operator, transporter or generator), the extent of the Company's alleged connection to the location (e.g., amount and nature of waste hauled to the location, number of years of site operation by the Company or other relevant factors), the accuracy and strength of evidence connecting the Company to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties at the location, and the nature and estimated cost of the likely remedy. Where the Company concludes that it is probable that a liability has been incurred, a provision is made in the Company's consolidated financial statements for the Company's best estimate of the liability based on management's judgment and experience, information available from regulatory agencies and the number, financial resources and relative degree of responsibility of other potentially responsible parties who are jointly and severally liable for remediation of a specific site, as well as the typical allocation of costs among such parties. If a range of possible outcomes is estimated and no amount within the range appears to be a better estimate than any other, then the Company provides for the minimum amount within the range, in accordance with generally accepted accounting principles. Amounts recorded are discounted where appropriate. Sites subject to state action under state laws similar to the federal Superfund statute are treated by the Company in the same way as NPL sites.

The Company's estimates are subsequently revised, as deemed necessary, as additional information becomes available. While the Company does not anticipate that the amount of any such revisions will have a material adverse effect on the Company's operations or financial condition, the measurement of environmental liabilities is inherently difficult and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies, or other factors could materially alter this expectation at any time. Such matters could have a material adverse impact on the Company's consolidated financial statements.

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

The Company has been advised by the U.S. Department of Justice that Laurel Ridge Landfill, Inc., a wholly-owned subsidiary of the Company as a result of the Company's acquisition of United Waste Systems, Inc. ("United"), is a target of a federal investigation relating to alleged violations of the Clean Water Act at the Laurel Ridge Landfill in Kentucky. The investigation relates to a period prior to the Company's acquisition of United in August 1997. The Company is attempting to negotiate a resolution with the government which may involve a guilty plea to a criminal misdemeanor, a fine and in-kind services. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial statements.

In June 1996, an indictment was brought against All-Waste Systems, Inc. ("All-Waste"), an indirect subsidiary of the Company acquired in December 1998 in connection with the Eastern Merger, thirteen other corporations and seven individuals in the Southern District of New York. In September 1997 nineteen of the defendants entered guilty pleas and collectively agreed to pay \$17,000,000 in restitution to the IRS and Westchester County, fines and civil forfeitures. All-Waste pled guilty to mail fraud, which arose out of an alleged bid-rigging scheme for the Town of New Windsor, paid an \$85,000 fine and was sentenced to a five year probation period. The probation period was terminated upon the closing of the sale of All-Waste to Eastern in June 1998.

In March 1999, the Company was notified that All-Waste, two other indirect subsidiaries acquired in the Eastern Merger, as well as a current employee of the Company were suspended from future contracting with any agency in the executive branch of the U.S. government pending proceedings. The suspension and potential debarment are based on the September 1997 conviction of All-Waste and activities that occurred prior to ownership of the entities by Eastern. The Company is attempting to remove the three entities from the suspension and proposed debarment list. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial statements.

In February 1999, a San Bernardino County, California grand jury returned an amended felony indictment against the Company, certain of its subsidiaries and their current or former employees, and a County employee. The proceeding is based on events that allegedly occurred prior to the WM Holdings Merger in connection with a WM Holdings landfill development project. The indictment includes allegations that certain of the defendants engaged in conduct involving fraud, wiretapping, theft of a trade secret and manipulation of computer data, and that they engaged in a conspiracy to do so. If convicted, the most serious of the available sanctions against the corporate defendants would include substantial fines and forfeitures. The Company believes that meritorious defenses exist to each of the allegations, and the defendants are vigorously contesting them. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial statements.

The Company has brought suit against a substantial number of insurance carriers in an action entitled Waste Management, Inc. et al. v. The Admiral Insurance Company, et al. pending in the Superior Court in Hudson County, New Jersey. In this action the Company is seeking a declaratory judgment that environmental liabilities asserted against the Company or its subsidiaries, or that may be asserted in the future, are

covered by insurance policies purchased by the Company or its subsidiaries. The Company is also seeking to recover defense costs and other damages incurred as a result of the assertion of environmental liabilities against the Company or its subsidiaries for events occurring over at least the last 25 years at approximately 140 sites and the defendant insurance carriers' denial of coverage of such liabilities. While the Company has reached settlements with some of the carriers, the remaining defendants have denied liability to the Company and have asserted various defenses, including that environmental liabilities of the type for which the Company is seeking relief are not risks covered by the insurance policies in question. The remaining defendants are contesting these claims vigorously. Discovery is nearly complete as to the 12 sites in the first phase of the case and discovery is expected to continue for several years as to the remaining sites. Currently, trial dates have not been set. The Company is unable at this time to predict the outcome of this proceeding. No amounts have been recognized in the Company's consolidated financial statements for potential recoveries.

Several purported class action lawsuits and one purported derivative lawsuit seeking injunctive relief and unspecified money damages were filed in the Chancery Court in and for New Castle County, Delaware against the Company, WTI, and individual directors of WTI in connection with the June 20, 1997, proposal by WM Holdings to acquire all of the shares of WTI common stock which WM Holdings did not own. WM Holdings subsequently consummated a merger in which WTI's stockholders received \$16.50 in cash per share of WTI's common stock. The lawsuits, which have since been consolidated into a single action, allege, among other things, that the defendants breached fiduciary duties to WTI's minority stockholders because the merger consideration contemplated by the proposal was inadequate and unfair. The Company believes that the defendants' actions in connection with the proposal were in accordance with Delaware law and, on that basis, has agreed to a settlement providing for the dismissal of all of the lawsuits against all defendants. The settlement agreement with the plaintiffs is subject to various conditions, including notice to the putative class and approval by the Court after a hearing.

The Company and certain of its subsidiaries are also currently involved in other civil litigation and governmental proceedings relating to the conduct of their business. While the outcome of any particular lawsuit or governmental investigation cannot be predicted with certainty, the Company believes that these matters will not have a material adverse effect on its consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to the stockholders of the Company during the fourth quarter of 1998.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and ages, as of March 1, 1999, of the Company's executive officers (as defined by regulations of the Securities and Exchange Commission), the positions they hold with the Company, and summaries of their business experience.

John E. Drury, age 54, has been Chief Executive Officer and a director of the Company since May 1994 and served as Chairman of the Board from June 1995 until the consummation of the WM Holdings Merger in July 1998. From 1991 to May 1994, Mr. Drury served as a Managing Director of Sanders Morris Mundy Inc., a Houston based investment banking firm. Prior thereto, Mr. Drury served in various management capacities at Browning-Ferris Industries ("BFI") including President and Chief Operating Officer of BFI from 1982 to 1991. Mr. Drury is also a member of the board of directors of PalEx, Inc.

Rodney R. Proto, age 50, has been President, Chief Operating Officer, and a director since joining the Company in August 1996. From 1992 to 1996, Mr. Proto was President, Chief Operating Officer, and a director of Sanifill, Inc. ("Sanifill"). Prior to such time, Mr. Proto was employed by BFI for twelve years where he served, among other positions, as President of Browning-Ferris Industries Europe, Inc. from 1987 through 1991 and Chairman of BFI Overseas from 1985 through 1987. Mr. Proto is also a member of the board of directors of Quanta Services, Inc.

Earl E. DeFrates, age 55, has been Executive Vice President and Chief Financial Officer since May 1994. From October 1990 to April 1995, he also served as the Company's Secretary. Mr. DeFrates joined the

Company as Vice President -- Finance and Chief Financial Officer in October 1990 and was elected Executive Vice President in May 1994. Prior thereto, Mr. DeFrates was employed by Acadiana Energy Inc. (formerly Tatham Oil & Gas, Inc.) serving in various officer capacities, including the company's Chief Financial Officer from 1980 through 1990.

Donald R. Chappel, age 47, has been Senior Vice President -- Operations and Administration since the consummation of the WM Holdings Merger in July 1998. Prior thereto, Mr. Chappel held several positions at WM Holdings, including serving as Acting Chief Financial Officer since October 1997, Vice President -- Financial Services since November 1996 and Vice President and Controller (North American operations) since August 1995. From 1991 to July 1995, Mr. Chappel was Vice President and Controller -- West and Mountain Areas of Waste Management of North America, Inc., and from July to August 1995 served as Vice President and Controller of Chemical Waste Management, Inc. Prior thereto he had served as Vice President and Controller -- WMI Urban Services, beginning in June 1987 when he joined WM Holdings.

Robert P. Damico, age 50, has been Senior Vice President -- Midwest Area since the consummation of the WM Holdings Merger in July 1998. Prior thereto, Mr. Damico had served in various capacities at WM Holdings since 1980, including District Manager, Division Manager and region Manager for the Mountain Region.

David R. Hopkins, age 55, has been Senior Vice President -- International Operations since November 1998 and has been Chief Executive Officer of WM International during that same period. Prior thereto, Mr. Hopkins had served as Vice President, Controller and Chief Accounting Officer of BFI since 1987.

Miller J. Mathews, Jr., age 61, has been the Senior Vice President -- Southern Area since the consummation of the WM Holdings Merger. Prior thereto, Mr. Mathews was the Company's Region Vice President -- Southern Region since 1995 when the waste company which he had owned since 1981, Sunray Services, Inc., was acquired by the Company.

Ronald H. Jones, age 48, has been Vice President and Treasurer since joining the Company in June 1995. Prior to joining the Company, Mr. Jones was employed by Chambers Development Company, Inc. ("Chambers") as Vice President and Treasurer from July 1992 to June 1995, Director, Corporate Development from December 1990 to July 1992, and Assistant Vice President -- Finance from July 1989 to December 1990. Prior to joining Chambers, Mr. Jones was a Vice President and Manager of the Cincinnati regional office engaged in corporate and middle market lending with Bank of New York (formerly Irving Trust Company) and with Chase Manhattan Bank.

Susan J. Piller, age 46, has been Senior Vice President -- Employee Relations since May 1996. Prior to joining the Company, Ms. Piller was with BFI from 1984 until 1996, where she held various labor and employment positions, including Vice President -- Employee Relations. Prior thereto, Ms. Piller was employed by the Houston law firm of Fulbright & Jaworski.

William A. Rothrock, age 46, has been Senior Vice President -- Business Development of the Company since August 1996. Mr. Rothrock held similar business development positions with Sanifill from 1990 to 1996 and BFI from 1985 to 1990.

Gregory T. Sangalis, age 43, has been Vice President, General Counsel and Secretary since April 1995 and Senior Vice President since July 1998. Prior to joining the Company, Mr. Sangalis was employed by WM Holdings, serving in various legal capacities since 1986 including Group Vice President and General Counsel from August 1992 to April 1995. Prior to joining the Company, he was General Counsel of Peavey Company and had been engaged in the private practice of law in Minnesota.

Robert G. Simpson, age 47, has been Vice President -- Taxation since November 1998. From July 1997 to November 1998, Mr. Simpson served as Vice President and General Manager of Tenneco Inc. and Tenneco Business Services, a diversified industrial company. From April 1990 to July 1997, Mr. Simpson served as Vice President -- Tax of Tenneco Inc.

Bruce E. Snyder, age 43, has been Vice President and Chief Accounting Officer of the Company since July 1992. Prior to joining the Company, Mr. Snyder was employed by the international accounting firm of

Coopers & Lybrand L.L.P., serving there since 1989 as an audit manager. From 1985 to 1989, Mr. Snyder held various financial positions with Price Edwards Henderson & Co., a privately held real estate development and management company in Oklahoma City, Oklahoma, and its affiliated companies, ultimately serving as Senior Vice President.

Douglas G. Sobey, age 47, has been Senior Vice President -- Western Area, since July 1998. From 1996 to July 1998, Mr. Sobey was the Company's Region Vice President -- Northwest Region. From 1990 to 1996, Mr. Sobey held similar positions with Sanifill.

David Sutherland-Yoest, age 42, has been Senior Vice President -- Atlantic Area since July 1998. From August 1996 to July 1998, Mr. Sutherland-Yoest was the Company's Vice Chairman of the Board and Vice President -- Atlantic Region and President of Canadian Waste Services, Inc. ("Canadian Waste"). From May 1994 to August 1996, he was President, Chief Operating Officer and a director of the Company. Prior to joining the Company, he was President, Chief Executive Officer and a director of Envirofil, Inc. ("Envirofil"). Between 1987 and 1992, Mr. Sutherland-Yoest served in various capacities at Laidlaw Waste Systems, Inc. and Browning-Ferris Industries, Ltd.

Charles A. Wilcox, age 46, has been Senior Vice President -- Eastern Area since July 1998. From August 1996 to July 1998, Mr. Wilcox was Region Vice President of the Eastern Region. From December 1994 to August 1996, Mr. Wilcox served as an Executive Vice President of the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "WMI." The following table sets forth the range of the high and low per share sales prices for the common stock as reported on the NYSE Composite Tape.

	HIGH -----	LOW -----
1997		
First Quarter.....	\$38.88	\$28.63
Second Quarter.....	39.25	29.50
Third Quarter.....	44.13	38.00
Fourth Quarter.....	41.75	32.63
1998		
First Quarter.....	\$46.88	\$34.44
Second Quarter.....	50.00	44.69
Third Quarter.....	58.19	42.88
Fourth Quarter.....	48.88	35.25
1999		
First Quarter (through March 17, 1999).....	\$52.63	\$45.50

On March 17, 1999, the closing sale price as reported on the NYSE was \$45.88 per share. The number of holders of record of common stock based on the transfer records of the Company at March 17, 1999, was 32,037.

As of December 31, 1998, the Company is limited in its ability to pay dividends pursuant to its current credit agreements to amounts not to exceed \$100,000,000 per year. The Company declared cash dividends of \$0.01 per share, or approximately \$5,700,000 and \$6,100,000 during the third and fourth quarters of 1998, respectively. See Note 9 to the consolidated financial statements included elsewhere herein.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial information as of December 31, 1998 and 1997, and for each of the years in the three year period ended December 31, 1998, has been derived from the audited consolidated financial statements of the Company included elsewhere herein. This information should be read in conjunction with such consolidated financial statements and related notes thereto. The selected consolidated financial information as of December 31, 1996, 1995 and 1994, and for each of the years in the two year period ended December 31, 1995, has been derived from audited consolidated financial statements, that have been previously included in the Company's reports under the Exchange Act, restated for certain pooling of interests transactions that are not included herein. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEARS ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
STATEMENT OF OPERATIONS DATA:					
Operating revenues.....	\$12,703,469	\$11,972,498	\$10,998,602	\$10,432,775	\$ 9,677,048
Costs and expenses:					
Operating (exclusive of depreciation and amortization shown below).....	7,383,751	7,482,273	6,564,234	6,261,745	5,705,355
General and administrative.....	1,309,936	1,438,501	1,316,480	1,279,719	1,236,765
Depreciation and amortization.....	1,498,712	1,391,810	1,264,196	1,186,492	1,129,890
Merger costs.....	1,807,245	112,748	126,626	26,539	3,782
Asset impairments and unusual items.....	864,063	1,771,145	529,768	394,092	122,233
(Income) loss from continuing operations held for sale, net of minority interest.....	151	9,930	(315)	(25,110)	(24,143)
	12,863,858	12,206,407	9,800,989	9,123,477	8,173,882
Income (loss) from operations.....	(160,389)	(233,909)	1,197,613	1,309,298	1,503,166
Other income (expense):					
Interest expense.....	(681,457)	(555,576)	(525,340)	(534,964)	(437,946)
Interest income.....	26,829	45,214	34,603	41,565	47,878
Minority interest.....	(24,254)	(45,442)	(41,289)	(81,367)	(126,042)
Other income, net.....	139,392	127,216	108,645	257,773	113,526
	(539,490)	(428,588)	(423,381)	(316,993)	(402,584)
Income (loss) from continuing operations before income taxes.....	(699,879)	(662,497)	774,232	992,305	1,100,582
Provision for income taxes.....	66,923	363,341	486,700	493,375	498,233
Income (loss) from continuing operations.....	(766,802)	(1,025,838)	287,532	498,930	602,349
Income (loss) from discontinued operations.....	--	95,688	(263,301)	4,863	27,324
Extraordinary item.....	(3,900)	(6,809)	--	--	--
Accounting change.....	--	(1,936)	--	--	(1,281)
Net income (loss).....	\$ (770,702)	\$ (938,895)	\$ 24,231	\$ 503,793	\$ 628,392
Basic earnings (loss) per common share:					
Continuing operations.....	\$ (1.31)	\$ (1.84)	\$ 0.54	\$ 0.99	\$ 1.24
Discontinued operations.....	--	0.17	(0.49)	0.01	0.06
Extraordinary item.....	(0.01)	(0.01)	--	--	--
Accounting change.....	--	--	--	--	--
Net income (loss).....	\$ (1.32)	\$ (1.68)	\$ 0.05	\$ 1.00	\$ 1.30
Diluted earnings (loss) per common share:					
Continuing operations.....	\$ (1.31)	\$ (1.84)	\$ 0.53	\$ 0.97	\$ 1.23
Discontinued operations.....	--	0.17	(0.49)	0.01	0.05
Extraordinary item.....	(0.01)	(0.01)	--	--	--
Accounting change.....	--	--	--	--	--
Net income (loss).....	\$ (1.32)	\$ (1.68)	\$ 0.04	\$ 0.98	\$ 1.28
BALANCE SHEET DATA (AT END OF PERIOD):					
Working capital.....	\$ (412,269)	\$ (1,967,278)	\$ (258,210)	\$ (1,027,093)	\$ (681,813)
Intangible assets, net.....	6,250,324	4,848,176	4,681,381	4,329,909	3,661,594
Total assets.....	22,715,198	20,156,424	20,727,524	19,950,426	18,124,674
Long-term debt, including current maturities.....	11,697,943	9,479,961	9,064,566	8,404,034	7,677,360
Stockholders' equity.....	4,372,496	3,854,929	5,201,610	5,184,104	4,506,454

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion reviews the Company's operations for the three years ended December 31, 1998, and should be read in conjunction with the Company's consolidated financial statements and related notes thereto included elsewhere herein. The Company has restated its previously issued financial statements for years prior to 1998 to reflect the Eastern Merger accounted for under the pooling of interests method of accounting.

The following discussion includes statements that are forward-looking in nature. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business and operations of the Company. Certain of these factors are discussed under "Business -- Factors Influencing Future Results and Accuracy of Forward-Looking Statements" included in Item 1 of this report.

INTRODUCTION

The Company is a global leader in providing integrated waste management services. In North America, the Company provides solid waste management services throughout the U.S., as well as in Canada and Puerto Rico, including collection, transfer, recycling and resource recovery services, and disposal services, including the landfill disposal of hazardous wastes. In addition, the Company is a leading developer, operator and owner of waste-to-energy facilities in the U.S. The Company also engages in other hazardous waste management services throughout North America, as well as low-level and other radioactive waste services. Internationally, the Company operates throughout Europe, the Pacific Rim, South America and other select international markets. Included in the Company's international operations is the collection and transportation of solid, hazardous and medical wastes and recyclable materials and the treatment and disposal of recyclable materials. The Company also operates solid and hazardous waste landfills, municipal and hazardous waste incinerators, water and waste water treatment facilities, hazardous waste treatment facilities, waste-fuel powered independent power facilities, and constructs treatment or disposal facilities for third parties internationally. The Company's diversified customer base, which was in excess of 30 million customers as of December 31, 1998, includes commercial, industrial, municipal and residential customers, other waste management companies, governmental entities and independent power markets, with no single customer accounting for more than 5% of the Company's operating revenues during 1998.

The Company's operating revenues from waste management operations consist primarily of fees charged for its collection and disposal services. Operating revenues for collection services include fees from residential, commercial, industrial, and municipal collection customers. A portion of these fees are billed in advance; a liability for future service is recorded upon receipt of payment and operating revenues are recognized as services are actually provided. Fees for residential and municipal collection services are normally based on the type and frequency of service. Fees for commercial and industrial services are normally based on the type and frequency of service and the volume of solid waste collected. The Company's operating revenues from its disposal operations consist of disposal fees (known as tipping fees) charged to third parties and are normally billed monthly or semi-monthly. Tipping fees are based on the volume or weight of waste being disposed of at the Company's disposal facilities. Fees are charged at transfer stations based on the volume or weight of waste deposited, taking into account the Company's cost of loading, transporting, and disposing of the waste at a disposal site. Intercompany revenues between the Company's operations have been eliminated in the consolidated financial statements presented elsewhere herein.

Operating expenses from waste management operations include direct and indirect labor and the related taxes and benefits, fuel, maintenance and repairs of equipment and facilities, tipping fees paid to third party disposal facilities, property taxes, and accruals for future landfill final closure and post-closure costs. Certain direct development expenditures are capitalized and amortized over the estimated useful life of a site as capacity is consumed, and include acquisition, engineering, upgrading, construction, capitalized interest, and permitting costs. All indirect development expenses, such as administrative salaries and general corporate overhead, are expensed in the period incurred.

General and administrative costs include management salaries, clerical and administrative costs, professional services, facility rentals, and related insurance costs, as well as costs related to the Company's marketing and sales force.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the period to period change in dollars (in thousands) and percentages for the various consolidated statements of operations line items and for certain supplementary data.

	PERIOD TO PERIOD CHANGE			
	FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997		FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996	
STATEMENT OF OPERATIONS:				
Operating revenues.....	\$ 730,971	6.1%	\$ 973,896	8.9%
Costs and expenses:				
Operating (exclusive of depreciation and amortization shown below).....	(98,522)	(1.3)	918,039	14.0
General and administrative.....	(128,565)	(8.9)	122,021	9.3
Depreciation and amortization.....	106,902	7.7	127,614	10.1
Merger costs.....	1,694,497	1,502.9	(13,878)	(11.0)
Asset impairments and unusual items.....	(907,082)	(51.2)	1,241,377	234.3
(Income) loss from continuing operations held for sale, net of minority interest.....	(9,779)	(98.5)	10,245	3,252.4
	657,451	5.4	2,405,418	24.5
Income (loss) from operations.....	73,520	31.4	(1,431,522)	(119.5)
Other income (expense):				
Interest expense.....	(125,881)	(22.7)	(30,236)	(5.8)
Interest and other income, net.....	(6,209)	(3.6)	29,182	20.4
Minority interest.....	21,188	46.6	(4,153)	(10.1)
	(110,902)	(25.9)	(5,207)	(1.2)
Income (loss) from continuing operations before income taxes.....	(37,382)	(5.6)	(1,436,729)	(185.6)
Provision for income taxes.....	(296,418)	(81.6)	(123,359)	(25.3)
Income (loss) from continuing operations.....	259,036	25.3	(1,313,370)	(456.8)
Discontinued operations.....	(95,688)	(100.0)	358,989	136.3
Extraordinary item.....	2,909	42.7	(6,809)	(100.0)
Accounting change.....	1,936	100.0	(1,936)	(100.0)
Net income (loss).....	\$ 168,193	17.9%	\$ (963,126)	(3,974.8)%
SUPPLEMENTARY DATA:				
EBITDA(1).....	\$ 180,422	15.6%	\$(1,303,908)	(53.0)%
EBITDA, as adjusted(1)(2).....	958,058	31.4	(66,164)	(2.1)

(1) EBITDA represents income from operations plus depreciation and amortization expense. EBITDA, which is not a measure of financial performance under generally accepted accounting principles, is provided because the Company understands that such information is used by certain investors when analyzing the financial position and performance of the Company.

(2) The EBITDA "as adjusted" excludes merger costs, asset impairments and unusual items, and (income) loss from continuing operations held for sale, net of minority interest.

The following table presents, for the periods indicated, the percentage relationship that the various consolidated statements of operations line items and certain supplementary data bear to operating revenues:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
STATEMENT OF OPERATIONS:			
Operating revenues.....	100.0%	100.0%	100.0%
Costs and expenses:			
Operating (exclusive of depreciation and amortization shown below).....	58.1	62.5	59.7
General and administrative.....	10.3	12.0	12.0
Depreciation and amortization.....	11.8	11.6	11.5
Merger costs.....	14.2	0.9	1.2
Asset impairments and unusual items.....	6.8	14.8	4.8
(Income) loss from continuing operations held for sale, net of minority interest.....	--	0.1	--
	101.2	101.9	89.2
Income (loss) from operations.....	(1.2)	(1.9)	10.8
Other income (expense):			
Interest expense.....	(5.4)	(4.6)	(4.8)
Interest and other income, net.....	1.3	1.4	1.4
Minority interest.....	(0.2)	(0.4)	(0.4)
	(4.3)	(3.6)	(3.8)
Income (loss) from continuing operations before income taxes.....	(5.5)	(5.5)	7.0
Provision for income taxes.....	0.5	3.0	4.4
Income (loss) from continuing operations.....	(6.0)	(8.5)	2.6
Discontinued operations.....	--	0.8	(2.4)
Extraordinary item.....	--	(0.1)	--
Accounting change.....	--	--	--
Net income (loss).....	(6.0)%	(7.8)%	0.2%
SUPPLEMENTARY DATA:			
EBITDA(1).....	10.5%	9.7%	22.4%
EBITDA, as adjusted(1)(2).....	31.6	25.5	28.3

(1) EBITDA represents income from operations plus depreciation and amortization expense. EBITDA, which is not a measure of financial performance under generally accepted accounting principles, is provided because the Company understands that such information is used by certain investors when analyzing the financial position and performance of the Company.

(2) The EBITDA "as adjusted" excludes merger costs, asset impairments and unusual items, and (income) loss from continuing operations held for sale, net of minority interest.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 1998

Operating Revenues

The Company's principal operations are North American solid waste ("NASW"), which include all solid waste activities, such as collection, transfer operations, recycling and disposal. The NASW disposal operations encompass solid waste and hazardous waste landfills, as well as waste-to-energy facilities. In addition, the Company operates outside of North America in activities similar to its NASW operations ("WM International"). Furthermore, the Company performs certain non-solid waste services such as hazardous waste management, low-level and other radioactive waste management, high organic waste fuels blending, on-site industrial cleaning services, and waste fuel powered independent power facilities.

The Company's operating revenues increased \$730,971,000, or 6.1% in 1998 and \$973,896,000, or 8.9% in 1997 as compared to the respective prior years. The following presents the operating revenues by reportable segment for the respective years (dollars in millions):

	YEARS ENDED DECEMBER 31,					
	1998		1997		1996	
NASW.....	\$10,220.5	80.4%	\$ 9,244.9	77.2%	\$ 8,097.9	73.6%
WM International.....	1,533.6	12.1	1,790.0	15.0	1,913.8	17.4
Non-solid waste.....	949.4	7.5	937.6	7.8	986.9	9.0
Operating revenues.....	\$12,703.5	100.0%	\$11,972.5	100.0%	\$10,998.6	100.0%

The increase in the Company's operating revenues for the three years ended December 31, 1998, is primarily due to NASW operations. The following table presents the Company's mix of operating revenues from NASW for the respective periods (dollars in millions):

	YEARS ENDED DECEMBER 31,					
	1998		1997		1996	
NASW:						
Collection.....	\$ 6,963.5	58.7%	\$ 6,071.2	58.3%	\$ 5,257.5	57.0%
Disposal.....	3,179.4	26.8	2,811.9	27.0	2,580.2	28.0
Transfer.....	1,054.3	8.9	814.5	7.8	709.1	7.7
Recycling and other.....	669.6	5.6	720.0	6.9	683.5	7.3
	11,866.8	100%	10,417.6	100%	9,230.3	100%
Intercompany.....	(1,646.3)		(1,172.7)		(1,132.4)	
Operating revenues.....	\$10,220.5		\$ 9,244.9		\$ 8,097.9	

The increase in operating revenues in 1998 for NASW as compared to 1997 is primarily attributable to the effects of solid waste businesses acquired in North America and the internal growth of comparable operations. However, these increases are partially offset by the divestiture of certain solid waste operations, as well as the impact of the currency translation fluctuations of the Canadian dollar. Acquisitions of solid waste businesses in North America during 1998 and the full year effect of such acquisitions completed during 1997 accounted for an increase in operating revenues of approximately \$1,155,000,000. Internal growth for comparable North American collection, transfer, landfill and recycling services was 5.4%, which was comprised of 1.8% for pricing increases and 3.6% for volume increases. For the year ended December 31, 1998, the NASW operating revenues were negatively impacted by the lower prices received for recyclable materials, which can fluctuate substantially from period to period. Had the pricing for recyclable materials remained constant during 1998, internal growth for comparable NASW operations would have been 5.9% for the period.

The operating revenues for NASW increased in 1997 as compared to 1996 primarily due to the effects of North American solid waste acquisitions and the internal growth of comparable operations. During 1997, the acquisition of solid waste businesses in North America and the full year effect of such acquisitions consummated in 1996 resulted in an increase to operating revenues of approximately \$1,031,049,000. The

internal growth of comparable North American collection, transfer, landfill and recycling services was 3.2% in 1997, consisting of 1.1% for pricing increases and 2.1% for volume increases. The mix of operating revenues during 1997 reflects an increase in collection operating revenues as a percentage of total NASW operating revenues. This change in revenue mix is primarily due to the acquisition of large collection operations during 1997, including the March 1997 acquisition of the Canadian solid waste operations of Allied Waste Services, Inc.

The operating revenues from WM International decreased approximately \$256,400,000 or 14% and \$123,800,000 or 6% during 1998 and 1997 as compared to the respective prior year. This decrease in 1998 is primarily due to the sale of certain assets, such as the waste-to-energy facility in Hamm, Germany in January 1998, as well as the expiration of the Buenos Aires, Argentina contract in February 1998. In 1998 internal growth from WM International reflected a modest decline. However, operating revenues in 1998 were negatively affected by foreign currency fluctuations of approximately \$53,032,000 as compared to 1997. In 1997, WM International's operating revenues increased by approximately \$60,707,000 from internal growth, which was primarily offset by divestitures of various operations within France, Spain, Austria and Germany. Additionally, WM International's operating revenues were negatively impacted in 1997 by approximately \$133,816,000 due to foreign currency translation fluctuations.

Operating revenues for the Company's non-solid waste operations were substantially consistent for the three years ended December 31, 1998. However, the Company expects that operating revenues from its non-solid waste operations will decrease in future periods as the Company is actively marketing certain of these businesses.

Operating Costs and Expenses (Exclusive of Depreciation and Amortization Shown Below)

Operating costs and expenses decreased \$98,522,000, or 1.3%, in 1998 as compared to 1997, however, increased \$918,039,000, or 14.0% in 1997 as compared to 1996. As a percentage of operating revenues, operating costs and expenses increased from 59.7% in 1996 to 62.5% in 1997, however decreased to 58.1% in 1998. Although operating costs and expenses increased in 1998 and 1997 proportionately due to the acquisition activity discussed above, the Company realized reductions in costs and improvements in operating efficiencies from its acquisition program, the merger with United Waste Systems, Inc. ("United") in August 1997, the WM Holdings Merger, as well as experienced continued improvements in its comparable operations. Most notably, through the WM Holdings Merger the Company realized a reduction in operating costs and expenses of approximately \$129,000,000 in 1998. Furthermore, the Company noted improvements in NASW due to the increased utilization of internal disposal capacity from 55.7% in 1997 to 58.5% in 1998. Additionally, certain significant operating costs and expenses were included in the results of WM Holdings in 1997 that were not comparable to 1998 or 1996. In 1997, WM Holdings recognized increased remediation expenses (net of recoveries) of \$96,800,000, increased self-insurance costs of \$95,000,000 and several other one-time expenses. The 1997 remediation expense included a charge for the implementation SOP 96-1 of \$49,900,000. The 1997 self-insurance costs were significantly greater than prior periods due to a change in estimating techniques which required a cumulative adjustment in that year.

General and Administrative

General and administrative expense decreased \$128,565,000, or 8.9% from 1997 to 1998 and increased \$122,021,000, or 9.3% from 1996 to 1997. However, as a percentage of operating revenues, the Company's general and administrative expense was 10.3% for 1998 and 12.0% for 1997 and 1996. In 1998, the Company's general and administrative expense included \$4,300,000 for the WM Holdings accounting review and \$12,400,000 related to various strategic initiatives that WM Holdings had been pursuing. In connection with the WM Holdings Merger, the Company realized a reduction in general and administrative expenses in 1998 of approximately \$131,700,000, of which approximately \$51,400,000 was reflected in the third quarter of 1998 and \$80,300,000 in the fourth quarter of 1998. Negatively impacting the Company's general and administrative expense in 1997 was \$39,000,000, or 0.3% of operating revenues, for additional legal expenses recorded by WM Holdings reflecting changes in estimates of litigation-related liabilities. After consideration of these items, the Company's general and administrative expense declined as a percentage of operating

revenues from 1996 to 1998 as a result of the Company's ability to integrate acquisitions and mergers of solid waste businesses without a proportionate increase in costs.

Depreciation and Amortization

Depreciation and amortization expense increased \$106,902,000, or 7.7% in 1998 and \$127,614,000, or 10.1% in 1997, as compared to the respective prior year. As a percentage of operating revenues, depreciation and amortization expense was 11.5% in 1996, 11.6% in 1997, and increased to 11.8% in 1998. Effective October 1, 1997, WM Holdings discontinued assigning salvage values to collection vehicles and containers, and adopted a process that shortened the estimated useful lives of certain landfills. This change in estimate by the management of WM Holdings, which continued throughout 1998 and is substantially consistent with the estimates historically utilized by the Company, increased depreciation and amortization expense by \$46,400,000 in the fourth quarter of 1997. Also contributing to the increase in depreciation and amortization expense for the three year period ended December 31, 1998 is the effect of acquisitions of solid waste businesses, increased landfill volumes, and an increased utilization of internal disposal capacity. The increase in depreciation and amortization expense in 1998 was in part offset by the discontinuance of depreciation and amortization during the second six months of 1998 for non-revenue producing assets held for sale or abandoned in connection with the WM Holdings Merger and the effect of dispositions of waste management assets.

Merger Costs

In 1998, the Company recorded \$1,807,245,000 related to mergers accounted for as poolings of interests that were consummated during the year. The largest transactions of 1998 were the WM Holdings Merger and the Eastern Merger which were consummated on July 16, 1998, and December 31, 1998, respectively. The Company recorded \$1,624,870,000 related to WM Holdings, of which \$1,561,915,000 was recorded in the third quarter and \$62,955,000 was recorded in the fourth quarter of 1998, and recorded \$165,140,000 in the fourth quarter related to Eastern (which included approximately \$5,000,000 recorded by Eastern for merger transactions consummated prior to its merger with the Company). Additionally, the Company recorded approximately \$17,235,000 related to other poolings of interests transactions consummated during 1998.

The following table summarizes the merger costs recorded during the year related to the WM Holdings Merger and the Eastern Merger as well as charges that are expected to be recorded in future periods related to these mergers that are transitional in nature and not accruable until paid or committed (in millions):

	WM HOLDINGS		EASTERN	
	CHARGES IN 1998	CHARGES EXPECTED IN FUTURE PERIODS	CHARGES IN 1998	CHARGES EXPECTED IN FUTURE PERIODS
	(UNAUDITED)		(UNAUDITED)	
Transaction or deal costs, primarily professional fees and filing fees.....	\$ 124.1	\$ --	\$ 14.3	\$ --
Employee severance, separation and transitional costs.....	323.9	28.5	25.5	9.7
Restructuring charges relating to the consolidation and relocation of operations, and the transition and implementation of information systems.....	166.9	71.8	20.5	3.2
Estimated loss on the sale of:				
Assets to comply with governmental orders...	255.0	--	32.2	--
Duplicate facilities and related leasehold improvements.....	188.9	--	29.3	--
Duplicate revenue producing assets.....	26.2	--	32.4	--
Provision for the abandonment of:				
Revenue producing assets.....	126.6	--	3.0	--
Non-revenue producing assets, consisting of landfill projects and leasehold improvements which were determined to be duplicative assets from the related merger.....	263.0	--	6.5	--
Other assets, consisting primarily of computer hardware and software costs which have no future value.....	150.3	--	1.5	--
Total.....	\$1,624.9	\$100.3	\$165.2	\$12.9
	=====	=====	=====	=====

In 1997, the Company recorded \$112,748,000 related to business combinations completed during the year that were accounted for as poolings of interests. The largest merger transaction of 1997 was the pooling of interests with United in the third quarter, in which the Company recorded merger costs of \$89,152,000. The costs related to United included \$17,566,000 of transaction costs, \$26,198,000 of severance and other termination benefits, \$21,629,000 for the integration of operations, and \$23,759,000 for the disposal of duplicate facilities and impaired assets as a result of the merger. The Company also recorded \$23,596,000 in 1997 related to the acquisition of other businesses accounted for as poolings of interests.

In 1996, the Company recorded \$126,626,000 related to merger transactions consummated during the period that were accounted for as poolings of interests. Of that amount, \$35,000,000 related to the merger with Western Waste Industries ("Western") consummated in the second quarter of 1996 and \$80,000,000 in connection with the merger with Sanifill completed in the third quarter of 1996. The merger costs related to Western included \$6,800,000 of transaction costs, \$15,000,000 of severance and other termination benefits, and \$13,200,000 of costs related to integrating operations. The Sanifill merger costs included \$9,500,000 of transaction costs, \$20,000,000 of relocation, severance and other termination benefits, \$13,000,000 for the integration of operations, and \$37,500,000 for the disposal of duplicate facilities. Additionally, the Company recorded \$11,626,000 in 1996 related to other poolings of interests acquisitions.

Asset Impairments and Unusual Items

In 1998, 1997, and 1996, the Company recorded certain charges for asset impairments and unusual items resulting from reviews of business integration and operating plans. Such reviews were generally performed in connection with the Company's merger activities. In addition, the 1997 consolidated financial statements include a significant accounting charge resulting from a comprehensive review performed by the management of WM Holdings of its operations and investments in the fourth quarter of 1997. Similarly, the 1996 consolidated financial statements include accounting charges recorded by WM Holdings for certain operational and management restructuring activities and assets that had become impaired.

Fair value for asset impairment losses was determined for landfills, hazardous waste facilities, recycling investments and other facilities, primarily based on future cash flow projections discounted back using discount rates appropriate for the risks involved with the specific assets. For surplus real estate, market opinions and appraisals were used. In determining fair values for abandoned projects and vehicles to be sold, recoverable salvage values were determined using market estimates. Impaired assets to be sold are primarily businesses to be sold and surplus real estate. The Company provides for losses in connection with long-term waste service contracts where an obligation exists to perform services and when it becomes evident the projected direct and incremental contract costs will exceed the related contract revenues. In general, these losses relate to contracts with remaining average duration of five years.

The following is a summary of asset impairments and unusual items that are reflected in the Company's 1998 consolidated financial statements (in millions):

Provision for losses on contractual commitments.....	\$115.6
Changes in estimates relating to the reassessment of ultimate losses for certain legal and remediation issues.....	331.9
Write-down to estimated net sales proceeds of businesses to be sold.....	195.1
Curtailment and settlement costs of terminating the defined benefit pension plan.....	34.7
Compensation charges for the liquidation of WM Holdings' Supplemental Executive Retirement Plan and other supplemental plans.....	72.2
Put provisions of certain WM Holdings' stock options as a result of change in control provisions.....	114.6

Total.....	\$864.1
	=====

In conjunction with the WM Holdings Merger, the Company decided to terminate the WM Holdings defined benefit pension plan as of December 31, 1998, and liquidate the plan's assets and settle its obligations to participants in 1999, except as related to certain employees participating under collective bargaining

agreements, whose benefits were transferred to a newly created plan effective October 1, 1998. This decision has resulted in a curtailment expense charge in unusual items of \$34,716,000 in 1998, and is currently estimated to result in an approximate net cash settlement charge in unusual items in the third quarter of 1999 of \$125,000,000. The amount of the 1999 settlement is inversely sensitive to changing interest rates. This sensitivity is approximately \$20,000,000 for every 25 basis point fluctuation in interest rates.

In 1998, the Company increased its reserves for certain legal and environmental remediation issues as a result of management's emphasis to resolve and settle certain issues relating primarily to WM Holdings, including a class action securities litigation against WM Holdings.

Certain WM Holdings' employee stock option plans included change of control provisions that were activated as a result of the WM Holdings Merger whereby the option holder received certain put rights that require charges to earnings through the put periods. The charge to pre-tax earnings as a result of these put rights was \$114,600,000 in the third quarter of 1998. To the extent the future market value of the Company's common stock exceeds \$54.34 per share, the Company will be required to record additional charges to earnings through July 16, 1999, at which time all put rights expire. The expense related to these stock option put rights has no impact to equity as the offset is a direct increase to additional paid-in capital, as these put rights will be settled by the issuance of stock.

The following is a summary of asset impairments and unusual items that are reflected in the Company's 1997 consolidated financial statements (in millions):

Asset impairments:

Landfills, related primarily to management decisions to abandon expansions and development projects due to political or competitive factors, which will result in closure earlier than previously expected (includes \$233.8 for hazardous waste sites).....	\$ 592.9
Hazardous waste facilities, resulting from continuing market deterioration, increased competition, excess capacity and changing regulation.....	131.4
Goodwill, primarily related to landfills and hazardous waste facilities impaired (including \$411.0 related to hazardous waste business).....	433.4
Write-down of WTI long-lived assets, including \$47.1 related to a wood waste burning independent power production facility.....	57.2
Recycling investments, related primarily to continued pricing, overcapacity and competitive factors.....	21.5
Write-down to estimated net realizable value of trucks to be sold as a result of new fleet management policy....	70.9
Write-down to estimated net sales proceeds of businesses to be sold.....	122.2
Abandoned equipment and facilities.....	37.3
Surplus real estate.....	38.2
Provisions for losses on contractual commitments.....	120.2
Severance for terminated employees.....	41.6
Special charge for WM International, primarily costs of demobilization in Argentina following the expiration of the City of Buenos Aires contract, divestiture or closure of underperforming businesses (primarily in Italy and Germany) and abandonment of projects (primarily in Germany).....	104.3
Total.....	\$1,771.1
	=====

As a result of WM Holdings' adoption of a new fleet replacement policy in 1997, certain older collection vehicles of WM Holdings became impaired totaling \$70,900,000. This policy change accelerated the replacement of front-end loaders, rear-end loaders, and roll-off trucks, as well as shortened the estimated useful lives of such vehicles. The policy change of WM Holdings in 1997 is substantially consistent with that of the Company's that has historically been in place.

The following is a summary of asset impairments and unusual items that are reflected in the Company's 1996 consolidated financial statements (in millions):

Asset impairments:

Landfills, related primarily to management decisions to abandon expansion projects due to political or competitive factors, which will result in closure earlier than previously expected.....	\$ 20.4
Recycling investments, related primarily to pricing, overcapacity and competitive factors.....	47.8
Other, primarily equipment to be scrapped.....	2.0
Surplus real estate.....	1.5
Write-down to estimated net sales proceeds of businesses to be sold.....	28.9
Reserves for certain litigation and for reengineering of finance and administrative functions.....	154.1
Provisions for losses on contractual commitments.....	53.6
Western retirement benefits.....	4.8
Special charge for WM International:	
Loss on sale of investment in Wessex Water Plc.....	47.1
Revaluation of investments in France, Austria, and Spain in contemplation of exiting all or part of these markets or forming joint ventures and write-off of a hazardous waste disposal facility in Germany with volumes adversely affected by regulatory changes.....	169.6

Total.....	\$529.8
	=====

(Income) Loss from Continuing Operations Held for Sale, Net of Minority Interest

The Company had operations that were previously classified as "discontinued" for accounting and financial reporting purposes that were subsequently reclassified to continuing operations as the respective dispositions were not completed within one year. The Company has divested of substantially all of such operations as of September 30, 1998.

Income (Loss) from Operations

Income (loss) from operations was \$(160,389,000), \$(233,909,000), and \$1,197,613,000 for the years ended December 31, 1998, 1997, and 1996, respectively, for the reasons discussed above. However, if income (loss) from operations was adjusted to exclude merger costs, asset impairments and unusual items, and (income) loss from continuing operations held for sale, then income from operations would approximate 20%, 14% and 17% of operating revenues for 1998, 1997 and 1996, respectively.

Other Income and Expenses

Other income and expenses consists of interest expense, interest income, other income and minority interest. Although the Company has experienced lower borrowing rates as compared to prior years, interest costs, which includes amounts capitalized, increased for each year from 1996 to 1998 due to increases in the Company's outstanding indebtedness for each period. Capitalized interest was \$56,873,000, \$51,376,000, and \$41,501,000 for 1996, 1997 and 1998, respectively. The decline in the amount of interest capitalized by the Company over these periods is primarily due to the decline in construction activities.

Other income in 1997 includes a gain of \$129,000,000 related to the sale of the Company's investment in ServiceMaster Consumer Services L.P., which occurred during the first quarter of 1997. Other income in 1998 includes the sale of certain of the Company's investments and businesses. In January 1998 the Company recognized a gain of \$38,000,000 from the sale of a waste-to-energy facility in Hamm, Germany.

During 1998, the Company acquired the outstanding minority interest in WTI, WMI plc as well as the operations in the United Kingdom, which were 49% owned by Wessex Water Plc. As a result, the minority interest expense will be less significant to the Company in future periods.

In 1996, minority interest was impacted by approximately \$63,800,000 for the special charges related to WM International discussed above. In 1997, minority interest was impacted by approximately \$27,900,000 related to the WM International charge and \$15,900,000 from the WTI asset impairment loss. The 1998 charges recorded by WM International for asset impairments and unusual items reduced minority interest expense by approximately \$36,800,000.

Provision for Income Taxes

The Company recorded a provision for income taxes of \$66,923,000, \$363,341,000, and \$486,700,000, for the years ended December 31, 1998, 1997, and 1996, respectively. The primary difference in federal income taxes at the statutory rate and the provision for income taxes in these years is due to state and local income taxes, non-deductible merger costs, non-deductible costs related to acquired intangibles, and minority interest.

Discontinued Operations

The Company recorded \$95,688,000 in 1997 and \$(263,301,000) in 1996 for the net results of discontinued operations. See Note 18 of the consolidated financial statements included herein for additional discussion of discontinued operations.

Extraordinary Items

During 1998 and 1997, the Company retired certain debt with unfavorable terms prior to their scheduled maturities. As a result, the Company incurred prepayment penalties and other fees, as well as charged to expense the remaining unamortized discounts and debt issuance costs. As such, the Company recorded these activities as extraordinary items in the respective periods.

Cumulative Effect of Change in Accounting Principle

In the fourth quarter of 1997, the Company began expensing process reengineering costs in accordance with the Financial Accounting Standards Board Emerging Issues Task Force Issue No. 97-13. Accordingly, the Company expensed any amounts previously capitalized, which reduced net income by \$1,936,000 in 1997.

Net Income (Loss)

For reasons discussed above, net income (loss) was \$(770,702,000) in 1998, \$(938,895,000) in 1997, and \$24,231,000 in 1996.

Variation in Quarterly Results

Certain charges (and the tax and minority interest effects of such charges) have significantly affected the quarterly trend analysis of the Company's operating results for 1998 and 1997. A comparison of the "as reported" and "as adjusted" quarterly net income (loss) per share for 1998 and 1997 is as follows:

	AS REPORTED		AS ADJUSTED(1)	
	BASIC	DILUTED	BASIC	DILUTED
1998				
First Quarter.....	\$ 0.32	\$ 0.31	\$0.35	\$0.34
Second Quarter.....	0.42	0.41	0.42	0.41
Third Quarter.....	(2.11)	(2.11)	0.51	0.48
Fourth Quarter.....	0.11	0.10	0.60	0.58
1997				
First Quarter.....	\$ 0.31	\$ 0.30	\$0.34	\$0.33
Second Quarter.....	0.26	0.25	0.34	0.33
Third Quarter.....	0.09	0.09	0.29	0.28
Fourth Quarter.....	(2.34)	(2.34)	0.16	0.16

(1) The "as adjusted" results exclude the pre-tax charges and related tax and minority interest impacts of merger costs for pooling of interests business combinations, as well as related charges for asset impairments and unusual items, and the statement of operations line item income (loss) from continuing operations held for sale, net of minority interest. Additionally, the "as adjusted" results exclude discontinued operations, extraordinary items, and the cumulative effect of change in accounting principle.

Basic and diluted earnings per common share for each of the quarters presented above is based on the respective weighted average number of common and diluted potential common shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per common share amounts.

The Company's business strategy is to continue to grow through acquisitions. Consequently, future quarterly results could be impacted by additional merger costs and related expenses associated with such merger and acquisition activity.

LIQUIDITY AND CAPITAL RESOURCES

The Company operates in an industry that requires a high level of capital investment. The Company's capital requirements primarily stem from (i) its working capital needs for its ongoing operations, (ii) capital expenditures for cell construction and expansion of its disposal sites, as well as new trucks and equipment for its collection operations, and (iii) business acquisitions. The Company's strategy is to meet these capital needs first from internally generated funds and secondly from various financing sources available to the Company, including the incurrence of debt and the issuance of its common stock. It is further part of the Company's strategy to minimize working capital while maintaining available commitments under bank credit agreements to fund any capital needs in excess of internally generated cash flow. The Company had unused and available credit capacity under its domestic bank facilities of \$1,360,000,000 at December 31, 1998, and \$1,050,000,000 as of March 24, 1999.

As of December 31, 1998, the Company had a working capital deficit of \$412,269,000 (a ratio of current assets to current liabilities of 0.90:1) and a cash balance of \$86,873,000 which compares to a working capital deficit of \$1,967,278,000 (a current ratio of 0.59:1) and a cash balance of \$189,942,000 as of December 31, 1997. The working capital at December 31, 1998, was impacted by current assets held for sale of \$746,605,000 and an increase in current deferred income tax assets of \$181,655,000 as compared to the prior year balance. As of December 31, 1998, approximately \$220,000,000 remained in current liabilities related to the merger cost recorded in the third and fourth quarters of 1998.

For the year ended December 31, 1998, net cash provided by operating activities was \$1,502,035,000, as compared to \$2,065,906,000 in 1997 and \$1,930,956,000 in 1996 and net cash provided by (used in) financing

activities was \$2,955,796,000 in 1998, as compared to \$(444,950,000) in 1997 and \$(192,159,000) in 1996. In 1998, cash generated from operating and financing activities was primarily used to acquire businesses and outstanding minority interest positions for \$3,619,365,000 and for capital expenditures of \$1,651,489,000. In 1997, capital expenditures of \$1,332,207,000 and acquisitions of businesses and outstanding minority interests of \$1,789,580,000 were primarily financed through net cash from operations of \$2,065,906,000 as well as proceeds from asset sales of \$1,496,562,000. Additionally, in 1997 the Company acquired \$1,000,208,000 of its stock and paid cash dividends to its shareholders of \$309,577,000. In 1996, cash from operating activities of \$1,930,956,000 and the sale of assets of \$830,773,000 was primarily used for capital expenditures of \$1,519,272,000 and business and minority interest acquisitions of \$851,642,000, treasury stock purchases of \$473,560,000 and cash dividends to its shareholders of \$308,265,000.

The Company expects to generate sufficient cash flow from its operations in 1999 to cover its anticipated cash needs for capital expenditures and acquisitions. If the Company's cash flow from operations during 1999 is less than currently expected, or if the Company's capital requirements increase, either due to strategic decisions or otherwise, the Company may elect to incur future indebtedness or issue equity securities to cover any additional capital needs. However, there can be no assurance that the Company will be successful in obtaining additional capital on acceptable terms through such debt incurrences or issuances of additional equity securities.

ACQUISITION ACTIVITY IN 1998

On July 16, 1998, the Company completed a merger with WM Holdings. Under the terms of the WM Holdings Merger, the Company issued 0.725 of a share of its common stock for each outstanding share of WM Holdings common stock. The WM Holdings Merger increased the Company's outstanding shares of common stock by approximately 354,000,000 shares, and the Company assumed WM Holdings' stock options equivalent to approximately 16,000,000 underlying shares of the Company's common stock. Any unvested WM Holdings options issued prior to March 10, 1998 vested upon consummation of the WM Holdings Merger due to change of control provisions in the related plans. WM Holdings was previously the largest publicly traded solid waste company in the U.S., providing integrated solid waste management and hazardous waste management services in North America and comprehensive waste management and related services, including solid and hazardous waste management services, internationally. WM Holdings was also a leading developer of facilities for, and provider of services to, the waste-to-energy and waste-fuel powered independent power markets.

On December 31, 1998, the Company consummated the Eastern Merger pursuant to which the Company issued approximately 24,460,000 shares of its common stock in exchange for all of the outstanding shares of Eastern.

On November 30, 1998, the Company acquired the 49% interest of the United Kingdom operations that were previously owned by Wessex Water Plc for approximately \$342,000,000.

On November 3, 1998, the Company completed the acquisition of the publicly owned shares of WMI plc. Pursuant to the acquisition, holders of the approximately 75 million ordinary shares not already owned by the Company (including those represented by American Depositary Receipts) received approximately \$5.72 for each share held, for a total of approximately \$443,000,000. The Company liquidated WMI plc after the acquisition in an effort to simplify the corporate structure and provide enhanced tax planning opportunities. The Company's international operations are now conducted through WM International.

On June 18, 1998, the Company acquired the solid waste businesses of American Waste for approximately \$150,000,000 in cash. The businesses acquired include three landfills and one collection operation located in Ohio.

On May 6, 1998, the Company consummated a merger with TransAmerican pursuant to which the Company issued approximately 1,975,000 shares of its common stock in exchange for all outstanding shares of TransAmerican. The businesses acquired include five collection operations, nine landfills and two transfer stations located throughout the southern U.S.

On March 31, 1998, the Company acquired all of the outstanding shares of WTI which it did not already own for \$876,200,000 in cash.

On January 14, 1998, the Company acquired the solid waste divisions of City Management for approximately \$810,000,000 consisting of cash and debt assumed. The businesses acquired are primarily located in the state of Michigan and include several collection operations, landfills, and transfer stations.

In addition to the aforementioned acquisition transactions, the Company paid an aggregate of \$1,453,880,000 in cash, common stock, and liabilities assumed to acquire solid waste assets and businesses.

ENVIRONMENTAL MATTERS

The Company has material financial commitments for the costs associated with its future obligations for final closure, which is the closure of the final cell of a landfill, and post-closure of landfills it operates or for which it is otherwise responsible. The final closure and post-closure liabilities are accrued and charged to expense as airspace is consumed such that the total estimated final closure and post-closure cost will be fully accrued for each landfill at the time the site discontinues accepting waste and is closed. The Company has also established procedures to evaluate its potential remedial liabilities at closed sites which it owns or operated, or to which it transported waste, including 88 sites listed on the NPL. The majority of situations involving NPL sites relate to allegations that subsidiaries of the Company (or their predecessors) transported waste to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. In instances in which the Company has concluded that it is probable that a liability has been incurred, provision has been made in the financial statements.

Estimates of the extent of the Company's degree of responsibility for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions and are inherently difficult, and the ultimate outcome may differ from current estimates. However, the Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. As additional information becomes available, estimates are adjusted as necessary. While the Company does not anticipate that any such adjustment would be material to its financial statements, it is reasonably possible that technological, regulatory or enforcement developments, the results of environmental studies, the existence and ability of other potentially responsible third parties to contribute to the settlements of such liabilities, or other factors could necessitate the recording of additional liabilities which could be material.

While the precise amount of these future costs cannot be determined with certainty, the Company has estimated that the aggregate cost of environmental liabilities for all sites owned or operated as of December 31, 1998, will be approximately \$2,929,065,000. As of December 31, 1998 and 1997, the Company had recorded liabilities of \$1,122,099,000 and \$1,167,660,000, respectively, for final closure and post-closure costs of disposal facilities. The difference between the final closure and post-closure costs accrued at December 31, 1998, and the total estimated final closure and post-closure costs to be incurred will be accrued and charged to expense as airspace is consumed such that the total estimated final closure and post-closure costs to be incurred will be fully accrued for each landfill at the time the site discontinues accepting waste and is closed. As of December 31, 1998, the Company also expects to incur approximately \$2,439,000,000 related to future construction activities during the remaining operating lives of the disposal sites, which are also being expensed over the useful lives of the disposal sites as airspace is consumed.

SEASONALITY AND INFLATION

The Company's operating revenues tend to be somewhat lower in the winter months. This is generally reflected in the Company's first quarter and fourth quarter operating results. This is primarily attributable to the fact that (i) the volume of waste relating to construction and demolition activities tends to increase in the spring and summer months and (ii) the volume of industrial and residential waste in certain regions where the Company operates tends to decrease during the winter months.

The Company believes that inflation and changing prices have not had, and are not expected to have, any material adverse effect on the results of operations in the near future.

YEAR 2000 DATE CONVERSION

The Company is currently working to resolve the potential impact of the Year 2000 on the processing of date-sensitive data by the Company's computerized information systems. In 1997, the Company began to modify its North American computer information systems to ensure proper processing of transactions relating to the Year 2000 and beyond and completed the majority of the required modifications to its critical business systems in use in North America during 1998. The Company expects to have all of such modifications completed during the third quarter of 1999. For WM International, systems supplied by an outside vendor are used for critical operations. That vendor has supplied the Company with Year 2000 compliant versions, deployment of which is largely completed. The Company expects that the systems used by WM International will be fully Year 2000 compliant during the third quarter of 1999. The amount charged to expense during 1998 and 1997, as well as the amounts expected to be charged to expense in 1999, related to the Year 2000 computer compliance modifications, have not been material and are not expected to be material to the Company's financial position, results of operations or cash flows.

In addition to its critical business systems, the Company has addressed the issue of the Year 2000 impact on certain of its embedded technologies. Incinerators and monitoring wells both have computer chips embedded within them, and the Company has undertaken to upgrade those chips to avoid any malfunctioning of the chips as a result of the year 2000. The Company expects such upgrades to be complete by the end of 1999. The Company is also taking steps to resolve Year 2000 compliance issues that may be created by customers, suppliers and financial institutions with whom the Company does business. However, there can be no guarantee that the systems of other entities will be converted timely.

The Company is in the process of establishing a worst case scenario and written contingency plan to address any issues that could arise should the Company or any of its suppliers or customers not be prepared to accommodate Year 2000 issues timely. The Company believes that in an emergency it could revert to the use of manual systems that do not rely on computers and could perform the minimum functions required to provide information reporting to maintain satisfactory control of the business. Should the Company have to utilize manual systems, it is uncertain that it could maintain the same level of operations, and this could have a material adverse impact on the business. The Company intends to maintain constant surveillance on this situation and will develop such contingency plans as are required by the changing environment.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and derivatives used for hedging purposes. SFAS No. 133 requires that entities recognize all derivative financial instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 is effective for the Company in 2000. Management is currently assessing the impact that the adoption of SFAS No. 133 will have on the Company's consolidated financial statements.

In April 1998, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Accounting for the Costs of Start-Up Activities ("SOP 98-5"). SOP 98-5 requires all costs of start-up activities to be expensed as incurred. Start-up activities are defined as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or beneficiary, initiating a new process in an existing facility, or commencing some new operation. Activities related to mergers or acquisitions are not considered start-up activities, and therefore SOP 98-5 does not change the accounting for such items. The Company adopted SOP 98-5 in the third quarter of 1998. The impact of SOP 98-5 was not material to the Company's consolidated financial position, results of operations and cash flows.

Effective January 1, 1997, the Company adopted the American Institute of Certified Public Accountants Statements of Position 96-1, Environmental Remediation Liabilities ("SOP 96-1"). SOP 96-1 provides that environmental remediation liabilities should be accrued when the criteria of the FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies, are met. SOP 96-1 also provides that the accrual for such liabilities should include future costs for those employees expected to devote a significant amount of time directly to the management of remediation liabilities. The adoption of SOP 96-1 during 1997 resulted in an increase to operating costs and expenses of approximately \$49,900,000 for that period.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

In the normal course of business, the Company is exposed to market risk, including changes in interest rates, currency exchange rates, certain commodity prices and certain equity prices. From time to time, the Company and certain of its subsidiaries use derivatives to manage some portion of these risks. The derivatives used are simple agreements which provide for payments based on the notional amount, with no multipliers or leverage. All derivatives are related to actual or anticipated exposures of transactions of the Company. While the Company is exposed to credit risk in the event of non-performance by counterparties to derivatives, in all cases such counterparties are highly rated financial institutions and the Company does not anticipate non-performance. The Company does not hold or issue derivative financial instruments for trading purposes. The Company monitors its derivative positions by regularly evaluating the positions at market and by performing sensitivity analyses.

The Company has performed sensitivity analyses to determine how market rate changes will affect the fair value of the Company's market risk sensitive derivatives and related positions. Such an analysis is inherently limited in that it represents a singular, hypothetical set of assumptions. Actual market movements may vary significantly from the Company's assumptions. The effects of such market movements may also directly or indirectly affect the Company's assumptions. The effects of such market movements may also directly or indirectly affect Company rights and obligations not covered by sensitivity analysis. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect on the Company from the assumed market rate movements.

Interest Rate Exposure. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's debt obligations, which are mainly denominated in U.S. dollars. In addition, interest rate swaps are generally used to lock-in or limit the variability in the interest expense of certain floating rate debt obligations. An instantaneous, one percentage point decline in interest rates across all maturities and applicable yield curves would increase the fair value of the Company's combined debt and interest rate swap position at December 31, 1998 and 1997 by approximately \$591,000,000 and \$391,000,000, respectively. This analysis does not reflect the effect that declining interest rates would have on other items such as pension liabilities, nor the favorable impact they would have on interest expense and cash payments for interest. As a significant portion of the Company's debt is at fixed rates, changes in market interest rates would not significantly impact operating results until and unless such debt would need to be refinanced at maturity.

Currency Rate Exposure. From time to time, the Company and certain of its subsidiaries have used foreign currency derivatives to seek to mitigate the impact of translation on foreign earnings and income from foreign investees. Typically these derivatives have taken the form of purchased put options or collars. There were no currency derivatives outstanding at December 31, 1998 and 1997, that relate to hedging the translation of foreign earnings.

The Company occasionally incurs currency risk from cross border transactions. When such transactions are anticipated or committed to, the Company may enter into forward contracts or purchase options to reduce or eliminate the related foreign exchange risk. The Company also incurs exchange rate risk from borrowings denominated in foreign currencies. An instantaneous, ten percent adverse movement in foreign exchange rates would affect the fair value of the Company's foreign currency borrowings and foreign exchange hedges at December 31, 1998 and 1997, by approximately \$13,100,000 and \$30,000,000, respectively. The total effect on the Company from movements in exchange rates will also be influenced by other factors. For example, an

increase in the fair value of foreign currency denominated debt caused by exchange rate movements may be more than offset by an increase in the value of the Company's net investment in foreign countries.

Commodities Price Exposure. The Company operates a large fleet of vehicles that require the purchase of a significant amount of fuel. In the past, the Company has used crude oil collars and swaps as a proxy to seek to mitigate the risk of fluctuations in fuel prices. The Company's fuel collars consisted of a call option or "cap" and a corresponding put option at a lower price or "floor." The cap limits the Company's potential increased operating cost from higher fuel prices whereas the floor limits the Company's potential cost savings from a decline in fuel prices. Under its fuel swap agreements, the Company collected payments from the swap counterparty when fuel prices averaged above a certain reference price. When prices averaged below said reference prices, the Company made payments to the counterparty. All of the Company's fuel hedges were cash settled. Quantities hedged do not exceed committed fuel purchases or anticipated usage in any period. An instantaneous, ten percent decrease in the applicable reference price for hedges in place at December 31, 1997, would cause a fair value loss to the Company of approximately \$6,000,000. The Company no longer uses such commodities and held no fuel collars at December 31, 1998.

Equity Price Exposure. The Company occasionally obtains stock that it holds for a certain period of time. The Company sometimes seeks to mitigate its market exposure to such holdings by entering into equity collars. Such a collar consists of a "cap" that limits the Company's potential for gain from appreciation in the stock price as well as a "floor" that limits the Company's loss potential from a decline in the stock price. An instantaneous, ten percent decline in the price of the shares held by the Company at December 31, 1997, would decrease the combined fair value of the stock and collar positions by approximately \$2,000,000. The Company had no such equity positions at December 31, 1998.

The Company is also further subject to equity price exposure from Company debt issues that are convertible into the Company's common stock. These debt issues had an aggregate carrying value of \$1,251,770,000 and \$1,249,957,000 as of December 1998 and 1997, respectively. An instantaneous, ten percent increase in the Company's stock price on December 31, 1998 and 1997, would increase the fair value of the Company's convertible debt by approximately \$121,000,000 and \$94,000,000, respectively. However, such changes in stock prices would not impact net income.

See Notes 2 and 8 to the consolidated financial statements included elsewhere herein for further discussion of the use and accounting for derivative instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of Waste Management, Inc.:

We have audited the consolidated balance sheets of Waste Management, Inc. and Subsidiaries (the "Company"), a Delaware corporation, as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

The consolidated financial statements give retroactive effect to the merger of the companies known prior to July 16, 1998 as USA Waste Services, Inc. and Waste Management Holdings, Inc., that formed the Company on July 16, 1998, and the Company's merger with Eastern Environmental Services, Inc. on December 31, 1998. As described in Note 3 to the consolidated financial statements, both mergers have been accounted for as poolings of interests.

We did not audit the consolidated financial statements of the former USA Waste Services, Inc. and Subsidiaries as of December 31, 1997 and for each of the years in the two-year period then ended. Such financial statements, which are included in the consolidated financial statements of the Company, reflect total assets and revenues constituting thirty-three percent and twenty-two percent, respectively, in 1997, and reflect revenues constituting fifteen percent in 1996, of the related consolidated totals. These financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the former USA Waste Services, Inc. and Subsidiaries as of December 31, 1997 and for each of the years in the two-year period then ended is based solely upon the report of the other auditors.

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

In our opinion, based upon our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Waste Management, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 1997, the Company changed its method of accounting for environmental remediation liabilities.

Arthur Andersen LLP

Houston, Texas
February 25, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of USA Waste Services, Inc.:

We have audited the consolidated balance sheet of USA Waste Services, Inc. as of December 31, 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 1997. These financial statements (not presented separately herein) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Waste Services, Inc. as of December 31, 1997, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Houston, Texas
March 16, 1998

WASTE MANAGEMENT, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PAR VALUE AMOUNTS)

ASSETS

	DECEMBER 31,	
	1998	1997
Current assets:		
Cash and cash equivalents.....	\$ 86,873	\$ 189,942
Short-term investments.....	1,792	59,296
Accounts receivable, net of allowance for doubtful accounts of \$116,430 and \$90,164, respectively.....	2,245,977	1,976,478
Notes and other receivables.....	139,934	90,144
Parts and supplies.....	128,254	152,702
Deferred income taxes.....	237,616	55,961
Costs and estimated earnings in excess of billings on uncompleted contracts.....	127,975	158,610
Prepaid expenses and other.....	166,371	153,543
Current assets held for sale.....	746,605	--
	-----	-----
Total current assets.....	3,881,397	2,836,676
Notes and other receivables, net.....	120,997	128,538
Property and equipment, net.....	11,637,739	11,188,530
Excess of cost over net assets of acquired businesses, net.....	6,069,098	4,721,801
Other intangible assets, net.....	181,226	126,375
Net assets of continuing operations held for sale.....	--	154,384
Other assets.....	824,741	1,000,120
	-----	-----
Total assets.....	\$22,715,198	\$20,156,424
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 1,040,601	\$ 1,007,458
Accrued liabilities.....	2,287,543	1,897,948
Deferred revenues.....	381,780	300,536
Current maturities of long-term debt.....	583,742	1,598,012
	-----	-----
Total current liabilities.....	4,293,666	4,803,954
Long-term debt, less current maturities.....	11,114,201	7,881,949
Deferred income taxes.....	470,107	523,593
Environmental liabilities.....	971,507	1,038,049
Other liabilities.....	1,381,145	943,269
	-----	-----
Total liabilities.....	18,230,626	15,190,814
Minority interest in subsidiaries.....	112,076	1,110,681
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued.....	--	--
Common stock, \$.01 par value; 1,500,000,000 shares authorized; 608,307,531 and 598,677,893 shares issued, respectively.....	6,083	5,987
Additional paid-in capital.....	4,091,525	3,873,990
Retained earnings.....	1,066,506	1,938,027
Accumulated other comprehensive income.....	(420,804)	(283,193)
Restricted stock unearned compensation.....	--	(11,102)
Treasury stock at cost, 63,950 and 34,239,062 shares, respectively.....	(2,821)	(1,369,405)
Employee stock benefit trust at market, 7,892,612 shares.....	(367,993)	(299,375)
	-----	-----
Total stockholders' equity.....	4,372,496	3,854,929
	-----	-----
Total liabilities and stockholders' equity.....	\$22,715,198	\$20,156,424
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Operating revenues.....	\$12,703,469	\$11,972,498	\$10,998,602
Costs and expenses:			
Operating (exclusive of depreciation and amortization shown below).....	7,383,751	7,482,273	6,564,234
General and administrative.....	1,309,936	1,438,501	1,316,480
Depreciation and amortization.....	1,498,712	1,391,810	1,264,196
Merger costs.....	1,807,245	112,748	126,626
Asset impairments and unusual items.....	864,063	1,771,145	529,768
(Income) loss from continuing operations held for sale, net of minority interest.....	151	9,930	(315)
	12,863,858	12,206,407	9,800,989
Income (loss) from operations.....	(160,389)	(233,909)	1,197,613
Other income (expense):			
Interest expense.....	(681,457)	(555,576)	(525,340)
Interest income.....	26,829	45,214	34,603
Minority interest.....	(24,254)	(45,442)	(41,289)
Other income, net.....	139,392	127,216	108,645
	(539,490)	(428,588)	(423,381)
Income (loss) from continuing operations before income taxes.....	(699,879)	(662,497)	774,232
Provision for income taxes.....	66,923	363,341	486,700
Income (loss) from continuing operations.....	(766,802)	(1,025,838)	287,532
Discontinued operations:			
Income from operations of discontinued businesses, net of applicable income tax and minority interest of \$17,490 in 1996.....	--	--	22,620
Income (loss) on disposal or from reserve adjustment, net of applicable income tax and minority interest of \$100,842 in 1997 and \$(18,640) in 1996.....	--	95,688	(285,921)
Income (loss) before extraordinary item and cumulative effect of change in accounting principle.....	(766,802)	(930,150)	24,231
Extraordinary loss on refinancing or retirement of debt, net of applicable income tax and minority interest of \$2,600 in 1998 and \$4,962 in 1997.....	(3,900)	(6,809)	--
Cumulative effect of change in accounting principle, net of income tax of \$1,100 in 1997.....	--	(1,936)	--
Net income (loss).....	\$ (770,702)	\$ (938,895)	\$ 24,231
Basic earnings (loss) per common share:			
Continuing operations.....	\$ (1.31)	\$ (1.84)	\$ 0.54
Discontinued operations.....	--	0.17	(0.49)
Extraordinary item.....	(0.01)	(0.01)	--
Cumulative effect of change in accounting principle.....	--	--	--
Net income (loss).....	\$ (1.32)	\$ (1.68)	\$ 0.05
Diluted earnings (loss) per common share:			
Continuing operations.....	\$ (1.31)	\$ (1.84)	\$ 0.53
Discontinued operations.....	--	0.17	(0.49)
Extraordinary item.....	(0.01)	(0.01)	--
Cumulative effect of change in accounting principle.....	--	--	--
Net income (loss).....	\$ (1.32)	\$ (1.68)	\$ 0.04
Weighted average number of common shares outstanding.....	584,301	557,675	537,269
Weighted average number of common and dilutive potential common shares outstanding.....	584,301	557,675	546,916

The accompanying notes are an integral part of these consolidated financial statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	RESTRICTED STOCK UNEARNED COMPENSATION	1988 EMPLOYEE STOCK OWNERSHIP PLAN
Balance, January 1, 1996.....	\$--	\$5,127	\$2,180,411	\$3,493,086	\$(129,412)	\$ --	\$(13,062)
Net income.....	--	--	--	24,231	--	--	--
Cash dividends.....	--	--	--	(308,265)	--	--	--
Dividends paid to employee stock benefit trust.....	--	--	6,943	(6,943)	--	--	--
Common stock issued upon exercise of stock options and grants of restricted stock (including tax benefit).....	--	57	64,766	--	--	--	--
Unearned compensation related to issuance of restricted stock to employees.....	--	--	--	--	--	(2,640)	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--	--	--	--	99	--
Contribution to 1988 ESOP (222,605 shares).....	--	--	--	--	--	--	6,666
Common stock issued for acquisitions.....	--	155	357,714	(9,944)	--	--	--
Common stock issued for conversion of subordinated debentures.....	--	35	59,590	--	--	--	--
United two-for-one stock split.....	--	196	(196)	--	--	--	--
Temporary equity related to put options.....	--	--	166,170	--	--	--	--
Proceeds from sale of put options.....	--	--	18,845	--	--	--	--
Adjustment of employee stock benefit trust to market value.....	--	--	32,278	--	--	--	--
Adjustment for minimum pension liability.....	--	--	--	--	(7,193)	--	--
Cumulative translation adjustment of foreign currency statements.....	--	--	--	--	22,664	--	--
Common stock repurchased (10,432,750 shares).....	--	--	--	--	--	--	--
Other.....	--	13	14,457	--	--	--	--
Balance, December 31, 1996.....	\$--	\$5,583	\$2,900,978	\$3,192,165	\$(113,941)	\$(2,541)	\$(6,396)

	TREASURY STOCK	EMPLOYEE STOCK BENEFIT TRUST
Balance, January 1, 1996.....	\$ (1,895)	\$(350,151)
Net income.....	--	--
Cash dividends.....	--	--
Dividends paid to employee stock benefit trust.....	--	--
Common stock issued upon exercise of stock options and grants of restricted stock (including tax benefit).....	55,409	28,622
Unearned compensation related to issuance of restricted stock to employees.....	--	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--
Contribution to 1988 ESOP (222,605 shares).....	--	--
Common stock issued for acquisitions.....	8,177	--
Common stock issued for conversion of subordinated debentures.....	--	--
United two-for-one stock split.....	--	--
Temporary equity related to put options.....	--	--
Proceeds from sale of put options.....	--	--

Adjustment of employee stock benefit trust to market value.....	--	(32,278)
Adjustment for minimum pension liability.....	--	--
Cumulative translation adjustment of foreign currency statements.....	--	--
Common stock repurchased (10,432,750 shares).....	(473,560)	--
Other.....	(8,562)	--
	-----	-----
Balance, December 31, 1996.....	<u>\$ (420,431)</u>	<u>\$ (353,807)</u>
	=====	=====

(Continued)

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, CONTINUED
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	RESTRICTED STOCK UNEARNED COMPENSATION	1988 EMPLOYEE STOCK OWNERSHIP PLAN
Balance, January 1, 1997.....	\$--	\$5,583	\$2,900,978	\$3,192,165	\$(113,941)	\$ (2,541)	\$(6,396)
Net loss.....	--	--	--	(938,895)	--	--	--
Cash dividends.....	--	--	--	(309,577)	--	--	--
Dividends paid to employee stock benefit trust.....	--	--	7,294	(7,294)	--	--	--
Common stock issued upon exercise of stock options and grants of restricted stock (including tax benefit).....	--	38	71,732	--	--	--	--
Unearned compensation related to issuance of restricted stock to employees.....	--	--	--	--	--	(23,444)	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--	--	--	--	2,357	--
Reversals of unearned compensation upon cancellation of restricted stock.....	--	--	--	--	--	12,526	--
Contribution to 1988 ESOP (213,940 shares).....	--	--	--	--	--	--	6,396
Common stock issued for acquisitions.....	--	146	218,637	1,628	--	--	--
Common stock issued in public offerings.....	--	186	580,234	--	--	--	--
Common stock issued for United stock options.....	--	19	25,809	--	--	--	--
Temporary equity related to put options.....	--	--	95,789	--	--	--	--
Settlement of put options..	--	--	(1,605)	--	--	--	--
Adjustment of employee stock benefit trust to market value.....	--	--	(54,432)	--	--	--	--
Adjustment for minimum pension liability.....	--	--	--	--	11,492	--	--
Cumulative translation adjustment of foreign currency statements.....	--	--	--	--	(180,744)	--	--
Common stock repurchased (26,111,795 shares).....	--	--	--	--	--	--	--
Other.....	--	15	29,554	--	--	--	--
Balance, December 31, 1997....	\$--	\$5,987	\$3,873,990	\$1,938,027	\$(283,193)	\$(11,102)	\$ --

	TREASURY STOCK	EMPLOYEE STOCK BENEFIT TRUST
Balance, January 1, 1997.....	\$ (420,431)	\$(353,807)
Net loss.....	--	--
Cash dividends.....	--	--
Dividends paid to employee stock benefit trust.....	--	--
Common stock issued upon exercise of stock options and grants of restricted stock (including tax benefit).....	47,271	--
Unearned compensation related to issuance of restricted stock to employees.....	--	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--
Reversals of unearned compensation upon cancellation of restricted stock.....	--	--
Contribution to 1988 ESOP (213,940 shares).....	--	--
Common stock issued for acquisitions.....	3,753	--
Common stock issued in		

public offerings.....	--	--
Common stock issued for United stock options.....	--	--
Temporary equity related to put options.....	--	--
Settlement of put options...	--	--
Adjustment of employee stock benefit trust to market value.....	--	54,432
Adjustment for minimum pension liability.....	--	--
Cumulative translation adjustment of foreign currency statements.....	--	--
Common stock repurchased (26,111,795 shares).....	(1,000,208)	--
Other.....	210	--
	-----	-----
Balance, December 31, 1997....	\$(1,369,405)	\$(299,375)
	=====	=====

(Continued)

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY, CONTINUED
(IN THOUSANDS)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	RESTRICTED STOCK UNEARNED COMPENSATION
Balance, January 1, 1998.....	\$--	\$5,987	\$3,873,990	\$1,938,027	\$(283,193)	\$(11,102)
Net loss.....	--	--	--	(770,702)	--	--
Cash dividends.....	--	--	--	(93,810)	--	--
Dividends paid to employee stock benefit trust.....	--	--	1,963	(1,963)	--	--
Common stock issued upon exercise of stock options and grants of restricted stock (including tax benefit).....	--	44	94,507	--	--	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--	--	--	--	759
Reversals of unearned compensation upon cancellation of restricted stock.....	--	--	--	--	--	1,134
Accelerated vesting of restricted stock due to WM Holdings Merger.....	--	--	--	--	--	9,209
Common stock issued for acquisitions.....	--	76	180,051	(6,032)	--	--
Common stock issued in public offerings...	--	52	205,811	--	--	--
Put rights on WM Holdings employee stock options, net of taxes.....	--	--	70,495	--	--	--
Adjustment of employee stock benefit trust to market value.....	--	--	68,618	--	--	--
Adjustment for minimum pension liability.....	--	--	--	--	(59,769)	--
Cumulative translation adjustment of foreign currency statements.....	--	--	--	--	(77,842)	--
Sale of treasury stock.....	--	--	3,755	--	--	--
Cancellation of treasury stock.....	--	(133)	(566,136)	--	--	--
Change in Eastern fiscal year.....	--	39	91,294	986	--	--
Conversion of WTI stock options.....	--	--	20,138	--	--	--
Other.....	--	18	47,039	--	--	--
Balance, December 31, 1998.....	\$--	\$6,083	\$4,091,525	\$1,066,506	\$(420,804)	\$ --

	TREASURY STOCK	EMPLOYEE STOCK BENEFIT TRUST
Balance, January 1, 1998.....	\$(1,369,405)	\$(299,375)
Net loss.....	--	--
Cash dividends.....	--	--
Dividends paid to employee stock benefit trust.....	--	--
Common stock issued upon exercise of stock options and grants of restricted stock (including tax benefit).....	75,212	--
Earned compensation related to restricted stock, net of reversals on forfeited shares.....	--	--
Reversals of unearned compensation upon cancellation of restricted stock.....	--	--
Accelerated vesting of restricted stock due to WM Holdings Merger.....	--	--
Common stock issued for acquisitions.....	--	--
Common stock issued in public offerings...	--	--
Put rights on WM Holdings employee stock options, net of taxes.....	--	--
Adjustment of employee stock benefit trust to market value.....	--	(68,618)
Adjustment for minimum pension liability.....	--	--
Cumulative translation adjustment of foreign currency statements.....	--	--
Sale of treasury stock.....	725,103	--
Cancellation of treasury stock.....	566,269	--
Change in Eastern fiscal year.....	--	--
Conversion of WTI stock options.....	--	--
Other.....	--	--
Balance, December 31, 1998.....	\$ (2,821)	\$(367,993)

The accompanying notes are an integral part of these consolidated financial statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net income (loss).....	\$ (770,702)	\$ (938,895)	\$ 24,231
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	1,498,712	1,391,810	1,264,196
Deferred income taxes.....	(450,158)	(375,543)	189,151
Undistributed earnings of equity investees.....	(3,294)	8,000	(34,200)
Minority interest in subsidiaries.....	24,254	44,687	42,111
Interest accretion on certain debt.....	18,023	20,682	22,343
Contribution to 1988 Employee Stock Ownership Plan.....	--	6,396	6,666
Net gain on disposal of assets.....	(83,503)	(133,981)	(36,261)
Effect of merger costs, asset impairments and unusual items.....	1,555,000	1,675,247	496,608
Income (loss) on disposal or from reserve adjustment of discontinued operations, net of tax and minority interest.....	--	(95,688)	285,921
Change in assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables.....	(185,995)	(45,237)	(85,279)
Other current assets.....	(11,235)	68,791	359
Other assets.....	135,120	90,614	(122,000)
Accounts payable and accrued liabilities.....	(140,613)	228,022	6,814
Deferred revenues and other liabilities.....	(16,721)	72,938	(185,088)
Other, net.....	(66,853)	48,063	55,384
Net cash provided by operating activities.....	1,502,035	2,065,906	1,930,956
Cash flows from investing activities:			
Short-term investments.....	57,509	(117,668)	1,170
Acquisitions of businesses, net of cash acquired.....	(1,946,197)	(1,685,415)	(509,608)
Capital expenditures.....	(1,651,489)	(1,332,207)	(1,519,272)
Proceeds from sale of assets.....	545,143	1,496,562	830,773
Other investments.....	76,244	(8,877)	(16,372)
Acquisition of minority interests.....	(1,673,168)	(104,165)	(342,034)
Other.....	36,821	(25,758)	(35,459)
Net cash used in investing activities.....	(4,555,137)	(1,777,528)	(1,590,802)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt.....	6,401,897	4,616,718	4,403,008
Principal payments on long-term debt.....	(4,406,910)	(4,378,952)	(3,954,584)
Cash dividends.....	(93,810)	(309,577)	(308,265)
Net proceeds from issuance of common stock.....	205,863	580,833	--
Proceeds from sale of treasury stock.....	739,161	--	--
Proceeds from exercise of common stock options and warrants.....	133,119	78,175	119,284
Other distributions to minority shareholders by affiliated companies.....	(23,514)	(36,341)	--
Stock repurchases.....	--	(1,000,208)	(473,560)
Other.....	(10)	4,402	21,958
Net cash provided by (used in) financing activities.....	2,955,796	(444,950)	(192,159)
Effect of exchange rate changes on cash and cash equivalents.....	(5,763)	(5,788)	2,807
Increase (decrease) in cash and cash equivalents.....	(103,069)	(162,360)	150,802
Cash and cash equivalents at beginning of year.....	189,942	352,302	201,500
Cash and cash equivalents at end of year.....	\$ 86,873	\$ 189,942	\$ 352,302
Supplemental cash flow information:			
Cash paid during the year for:			
Interest.....	\$ 651,585	\$ 543,969	\$ 480,383
Income taxes.....	253,770	410,438	359,795
Non-cash investing and financing activities:			
Note receivable from sale of assets.....	28,571	26,583	27,800
Conversion of subordinated debt to common stock.....	10,086	1,159	62,176
Acquisitions of businesses and development projects:			
Liabilities incurred or assumed.....	432,462	222,536	470,664
Common stock issued.....	180,127	251,863	366,046

The accompanying notes are an integral part of these consolidated financial statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Net income (loss).....	\$(770,702)	\$ (938,895)	\$24,231
Other comprehensive income (loss):			
Foreign currency translation adjustment.....	(77,842)	(180,744)	22,664
Minimum pension liability adjustment, net of taxes of \$(46,982) in 1998, \$7,347 in 1997, and \$(4,599) in 1996.....	(59,769)	11,492	(7,193)
Other comprehensive income (loss).....	(137,611)	(169,252)	15,471
Comprehensive income (loss).....	\$(908,313)	\$(1,108,147)	\$39,702
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND FINANCIAL STATEMENTS

Business -- Waste Management, Inc. and Subsidiaries (the "Company") provides integrated waste management services throughout North America consisting of collection, transfer, disposal (including landfill disposal of hazardous waste), recycling and resource recovery services as well as other hazardous waste services, and low-level and other radioactive waste services to commercial, industrial, municipal and residential customers. Additionally, the Company is a developer, owner and operator of waste-to-energy and waste-fuel powered independent power facilities. The Company also operates throughout Europe, the Pacific Rim, South America and other select international markets. Internationally, the Company collects and transports solid, hazardous and medical wastes and recyclables from customers and operates solid and hazardous waste landfills and municipal and hazardous waste incinerators, water and wastewater treatment facilities, hazardous waste treatment facilities and constructs treatment or disposal facilities for third parties.

Principles of consolidation -- The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries after elimination of all material intercompany balances and transactions. Investments in affiliated companies in which the Company owns 50% or less are accounted for under the equity method or cost method of accounting, as appropriate.

WM Holdings Merger -- On July 16, 1998, the Company, then known as USA Waste Services, Inc., completed a merger with Waste Management, Inc., which was subsequently renamed Waste Management Holdings, Inc. ("WM Holdings") (the "WM Holdings Merger"). WM Holdings was previously the largest publicly traded solid waste company in the United States, providing integrated solid waste management and hazardous waste management services in North America and comprehensive waste management and related services, including solid and hazardous waste management services, internationally. At the effective time of the WM Holdings Merger, the Company changed its name to "Waste Management, Inc." See Note 3.

Eastern Merger -- On December 31, 1998, the Company consummated a merger transaction with Eastern Environmental Services, Inc. ("Eastern") accounted for using the pooling of interests method of accounting. Accordingly, the financial statements have been restated from previously reported financial statements to include the accounts and operations of Eastern for all periods presented. See Note 3.

Use of estimates -- The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents -- Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper purchased with original maturities of three months or less.

Short-term investments -- As part of its cash management program, the Company from time to time maintains a portfolio of marketable investment securities. The securities have an investment grade and a term to earliest maturity generally of less than one year, and include tax exempt securities, certificates of deposit and Eurodollar time deposits. These securities are carried at cost, which approximates market.

Short-term investments also include marketable securities classified as "trading," which are carried at market price with unrealized gains and losses included in other income in the accompanying consolidated statements of operations. At December 31, 1998, no "trading" securities were held by the Company. At December 31, 1997, this category included certain other equity securities classified as "trading" as well as a related price collar. These securities and a related collar in 1998 were disposed with no gain or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Restricted funds held by trustees -- Restricted funds held by trustees of \$153,030,000 and \$190,030,000 at December 31, 1998 and 1997, respectively, are included in other non-current assets and consist principally of funds deposited in connection with landfill final closure and post-closure obligations, insurance escrow deposits, and amounts held for landfill and other construction arising from industrial revenue financings. These amounts are principally invested in fixed income securities of federal, state, and local governmental entities and financial institutions. The Company considers its landfill final closure, post-closure, and construction escrow investments to be held to maturity. At December 31, 1998 and 1997, the aggregate fair value of these investments approximates their amortized costs, and substantially all of these investments mature within one year. The Company's insurance escrow funds are invested in pooled investment accounts that hold debt and equity securities and are considered to be available for sale. The market value of those pooled accounts approximates their aggregate cost at December 31, 1998 and 1997.

Concentrations of credit risk -- Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high quality financial institutions and limits the amount of credit exposure with any one institution. Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. At December 31, 1998 and 1997, no single group or customer represents greater than 10% of total accounts receivable. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures. The Company performs credit evaluations for commercial and industrial customers and performs ongoing credit evaluations of its customers, but generally does not require collateral to support accounts receivable.

Derivative financial instruments -- From time to time, the Company uses derivatives to manage interest rate and currency risk. The Company has, in the past, engaged in hedging of fuel and equity price risk; however, it had no such financial instruments outstanding at December 31, 1998. The Company's policy is to use derivatives for risk management purposes only, and it does not enter into such contracts for trading purposes. The Company enters into derivatives only with counterparties which are financial institutions having credit ratings of at least A- or A3, to minimize credit risk. The amount of gains or losses from the use of derivative financial instruments have not been and are not expected to be material to the Company's consolidated financial statements.

Instruments used as hedges must be effective at managing risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in market values or cash flows of hedge instruments must have a high degree of inverse correlation with changes in market values or cash flows of the underlying hedged items. Derivatives that meet the hedge criteria are accounted for under the deferral or accrual method as discussed in Note 8.

Property and equipment -- Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, while minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant property and equipment categories are as follows (in years):

	OCTOBER 1, 1997 AND THEREAFTER	PRIOR TO OCTOBER 1, 1997
	-----	-----
Vehicles.....	3 to 10	3 to 12
Machinery and equipment.....	3 to 20	3 to 20
Commercial and roll-off containers.....	8 to 12	8 to 20
Buildings and improvements.....	10 to 40	10 to 40

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

As of October 1, 1997, and thereafter, the Company assumed no salvage value for its depreciable North American fixed assets. Prior to October 1, 1997, WM Holdings assigned salvage value to certain fixed asset categories as described in Note 4.

Disposal sites are stated at cost and amortized ratably using the units-of-production method over the estimated useful life of the site as airspace of the landfill is consumed. For those sites that the Company believes permit expansion is probable, the expansion airspace and the projected costs related to developing the expansion airspace is included in the airspace amortization rate calculation. Disposal site amortization rates are determined periodically (not less than annually) for each disposal site based on estimates provided by the Company's engineers and accountants. Disposal site costs include expenditures for the acquisition of land and related airspace, engineering and permitting costs, direct site improvement costs, and capitalized interest. Disposal site amortization rate calculations consider information provided by aerial and ground surveys and other density measures. Factors in determining probable expansions on a site-by-site basis include secured rights to required land, status of legal, environmental, regulatory and political issues, and the extent to which the permit application process has proceeded.

Business combinations -- The Company assesses each business combination to determine whether the pooling of interests or the purchase method of accounting is appropriate. For those business combinations accounted for under the pooling of interests method, the financial statements are combined with those of the Company at their historical amounts, and, if material, all periods presented are restated as if the combination occurred on the first day of the earliest year presented. For those acquisitions accounted for using the purchase method of accounting, the Company allocates the cost of the acquired business to the assets acquired and the liabilities assumed based on estimates of fair values thereof. These estimates are revised during the allocation period as necessary when, and if, information regarding contingencies becomes available to define and quantify assets acquired and liabilities assumed. The allocation period varies but does not exceed one year. To the extent contingencies such as preacquisition environmental matters, litigation and related legal fees are resolved or settled during the allocation period, such items are included in the revised allocation of the purchase price. After the allocation period, the effect of changes in such contingencies is included in results of operations in the periods in which the adjustments are determined. The Company does not believe potential deviations between its fair value estimates and actual fair values will be material.

In certain business combinations, the Company agrees to pay additional amounts to sellers contingent upon achievement by the acquired businesses of certain negotiated goals, such as targeted revenue levels, targeted disposal volumes, or the issuance of permits for expanded landfill airspace. Contingent payments, when incurred, are recorded as purchase price adjustments or compensation expense, as appropriate, based on the nature of each contingent payment.

Excess of cost over net assets of acquired businesses -- The excess of cost over net assets of acquired businesses is amortized on a straight-line basis over a period not greater than 40 years commencing on the dates of the respective acquisitions. Accumulated amortization was \$813,638,000 and \$703,656,000 at December 31, 1998 and 1997, respectively.

Other intangible assets -- Other intangible assets consist primarily of customer lists, covenants not to compete, licenses, permits, and contracts. Other intangible assets are recorded at cost and amortized on a straight-line basis. Customer lists are generally amortized over five to seven years. Covenants not to compete are amortized over the term of the agreement, which is generally three to five years. Licenses, permits, and contracts are amortized over the shorter of the definitive terms of the related agreements or 40 years. Accumulated amortization was \$113,312,000 and \$110,760,000 at December 31, 1998 and 1997, respectively.

Long-lived assets -- Long-lived assets consist primarily of property and equipment, excess of cost over net assets of acquired businesses, and other intangible assets. The recoverability of long-lived assets is evaluated at the operating unit level by an analysis of operating results and consideration of other significant

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

events or changes in the business environment. If an operating unit has indications of impairment, such as current operating losses, the Company will evaluate whether impairment exists on the basis of undiscounted expected future cash flows from operations before interest for the remaining amortization period. If impairment exists, the carrying amount of the long-lived assets is reduced to its estimated fair value.

Contracts in process -- Contracts in process relate to contracts involving a substantial construction component. Such contracts primarily relate to activities performed by international operations. The status of the Company's contracts in process as of the dates indicated is as follows (in thousands):

	DECEMBER 31,	
	1998	1997
Costs and estimated earnings on uncompleted contracts.....	\$ 1,312,158	\$ 1,511,710
Less billings on uncompleted contracts.....	(1,213,795)	(1,374,100)
Total contracts in progress.....	\$ 98,363	\$ 137,610

Contracts in process are included in the accompanying consolidated balance sheets under the following captions:

	DECEMBER 31,	
	1998	1997
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$127,975	\$158,610
Billings in excess of costs and estimated earnings on uncompleted contracts (included in deferred revenue).....	(29,612)	(21,000)
Total contracts in process.....	\$ 98,363	\$137,610

All contracts in process are expected to be billed and collected within five years.

Income taxes -- Deferred income taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Foreign currency -- The functional currency of the majority of the Company's foreign operations is the local currency of the country in which the Company operates. Adjustments resulting from the translation of financial information are included in comprehensive income.

Revenue recognition -- The Company recognizes revenues on service contracts as services are provided. Amounts billed and collected prior to services being performed are included in deferred revenues. Results from long-term contracts involving a substantial construction component are recorded on the percentage-of-completion basis. Changes in project performance and conditions, estimated profitability and final contract settlements may result in future revisions to long-term construction contract costs and income.

Capitalized interest -- Interest is capitalized on certain projects under development including greenfield landfill projects and probable landfill expansion projects, and on certain assets under construction, including operating landfills and waste-to-energy facilities. The capitalization of interest for operating landfills is based on the costs incurred on discrete cell construction projects, plus an allocated portion of the common site costs. The common site costs include the development costs of a greenfield site or the purchase price of an operating landfill, and the ongoing infrastructure costs benefiting the life cycle of the landfill. Cell construction costs

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

include the construction of cell liners and construction of final capping during the operating life of the site. During 1998, 1997, and 1996, total interest costs were \$722,958,000, \$606,952,000, and \$582,213,000, respectively, of which \$41,501,000, \$51,376,000, and \$56,873,000, were capitalized, respectively.

New accounting pronouncements -- In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and derivatives used for hedging purposes. SFAS No. 133 requires that entities recognize all derivative financial instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 is effective for the Company in 2000. Management is currently assessing the impact that the adoption of SFAS No. 133 will have on the Company's consolidated financial statements.

In April 1998, the Company adopted the American Institute of Certified Public Accountants Statement of Position 98-5, Accounting for the Costs of Start-Up Activities ("SOP 98-5"). SOP 98-5 requires all costs of start-up activities to be expensed as incurred. Start-up activities are defined as those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or beneficiary, initiating a new process in an existing facility, or commencing some new operation. Activities related to mergers or acquisitions are not considered start-up activities, and therefore SOP 98-5 does not change the accounting for such items. The impact of SOP 98-5 was not material to the Company's consolidated financial statements.

Effective January 1, 1997, the Company adopted the American Institute of Certified Public Accountants Statement of Position 96-1, Environmental Remediation Liabilities ("SOP 96-1"). SOP 96-1 provides that environmental remediation liabilities should be accrued when the criteria of the FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies ("SFAS No. 5"), are met. SOP 96-1 also provides that the accrual for such liabilities should include future costs for those employees expected to devote a significant amount of time directly to the management of remediation liabilities. The adoption of SOP 96-1 during 1997 resulted in an increase to operating costs and expenses of approximately \$49,900,000 for that period.

3. BUSINESS COMBINATIONS

1998 Poolings of Interests Transactions

On December 31, 1998, the Company consummated a merger with Eastern accounted for as a pooling of interests (the "Eastern Merger"), and accordingly, the accompanying consolidated financial statements have been restated to include the accounts and operations of Eastern for all periods presented. Under the terms of the Eastern Merger, the Company issued 0.6406 of a share of its common stock for each share of Eastern outstanding common stock. Prior to the Eastern Merger, the Company owned approximately 1.3% of Eastern's outstanding shares, which were canceled on the effective date of the Eastern Merger. The Eastern Merger increased the Company's outstanding shares of common stock by approximately 24,460,000 shares, and the Company assumed Eastern's stock options equivalent to approximately 2,255,000 underlying shares of the Company's common stock.

The consolidated balance sheets at December 31, 1998 and 1997 reflect the combining of (i) the Company prior to consummation of the Eastern Merger ("Waste Management") and (ii) Eastern as of those dates. Combined and separate results of operations for the two years ended December 31, 1997, and the nine

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

months ended September 30, 1998, of Waste Management and Eastern for the restated periods are as follows (in thousands):

	WASTE MANAGEMENT	EASTERN	COMBINED
	-----	-----	-----
Nine months ended September 30, 1998 (unaudited):			
Operating revenues.....	\$ 9,236,544	\$227,821	\$ 9,464,365
Income (loss) from continuing operations before income taxes.....	(931,295)	34,121	(897,174)
Net income (loss).....	(851,670)	17,483	(834,187)
Year ended December 31, 1997:			
Operating revenues.....	\$11,802,350	\$170,148	\$11,972,498
Income (loss) from continuing operations before income taxes.....	(668,513)	6,016	(662,497)
Net income (loss).....	(943,034)	4,139	(938,895)
Year ended December 31, 1996:			
Operating revenues.....	\$10,874,767	\$123,835	\$10,998,602
Income (loss) from continuing operations before income taxes.....	778,069	(3,837)	774,232
Net income (loss).....	28,152	(3,921)	24,231

Prior to December 31, 1997, Eastern reported on a June 30 fiscal year-end. Therefore, the accounts of Eastern for its 1997 and 1996, fiscal years have been consolidated with the accounts of the Company as of and for the years ended December 31, 1997 and 1996, respectively. Operating revenues and net income for Eastern for the six-month period ended December 31, 1997, were approximately \$119,526,000 and \$5,319,000, respectively. Accordingly, an adjustment is included in the Company's 1998 consolidated financial statements for this six-month period. In addition, Eastern issued shares of its common stock in connection with acquisitions and a public offering during the six-month period.

On July 16, 1998, the Company consummated a merger with WM Holdings, which was accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements include the accounts and operations of WM Holdings for all periods presented. Under the terms of the WM Holdings Merger, the Company issued 0.725 of a share of its common stock for each share of WM Holdings outstanding common stock. The WM Holdings Merger increased the Company's outstanding shares of common stock by approximately 354,000,000 shares, and the Company assumed WM Holdings' stock options equivalent to approximately 16,000,000 underlying shares of the Company's common stock. Any unvested WM Holdings options granted prior to March 10, 1998 vested upon consummation of the Merger due to change of control provisions.

The results of operations for WM Holdings prior to consummation of the WM Holdings Merger for the restated periods are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 1998	YEARS ENDED DECEMBER 31, -----	
	-----	1997	1996
	-----	-----	-----
(UNAUDITED)			
Operating revenues.....	\$2,131,621	\$9,188,582	\$9,225,636
Income (loss) from continuing operations before income taxes...	170,968	(1,053,673)	660,467
Net income (loss).....	74,417	(1,176,104)	(39,307)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In connection with the WM Holdings Merger and the Eastern Merger, the Company incurred significant charges in the third and fourth quarters of 1998. Additionally, the Company expects to incur additional costs throughout 1999 that are transitional in nature and not accruable until incurred or committed. The table below reflects the amounts charged to merger costs related to the WM Holdings Merger and the Eastern Merger, as well as merger costs expected to be incurred in future periods for the respective transactions (in thousands):

	WM HOLDINGS		EASTERN	
	CHARGES IN 1998	CHARGES EXPECTED IN FUTURE PERIODS (UNAUDITED)	CHARGES IN 1998	CHARGES EXPECTED IN FUTURE PERIODS (UNAUDITED)
Transaction or deal costs, primarily professional fees and filing fees.....	\$ 124,100	\$ --	\$ 14,300	\$ --
Employee severance, separation and transitional costs.....	323,900	28,500	25,500	9,700
Restructuring charges relating to the consolidation and relocation of operations, and the transition and implementation of information systems.....	166,900	71,800	20,500	3,200
Estimated loss on the sale of:				
Assets to comply with governmental orders.....	255,000	--	32,200	--
Duplicate facilities and related leasehold improvements.....	188,900	--	29,300	--
Duplicate revenue producing assets....	26,200	--	32,400	--
Provision for the abandonment of:				
Revenue producing assets.....	126,600	--	3,000	--
Non-revenue producing assets, consisting of landfill projects and leasehold improvements which were determined to be duplicative assets from the related merger.....	263,000	--	6,500	--
Other assets, consisting primarily of computer hardware and software costs which have no future value...	150,300	--	1,500	--
Total.....	\$1,624,900	\$100,300	\$165,200	\$12,900

Included in the charges above, are estimates for anticipated losses related to the sales of assets pursuant to governmental orders. These anticipated losses have been estimated based on the Company's assessment of relevant facts and circumstances, including consideration of the various provisions of asset sale agreements. In certain instances, the asset sale agreements contain contingencies, the resolution of which are uncertain and could materially change the proceeds which the Company will ultimately receive. Accordingly, dependent upon actual future experience and the resolution of certain contingencies, the amount of losses ultimately recorded by the Company could materially differ from the amounts recorded by the Company.

Additionally, the Company recorded merger costs of approximately \$17,235,000 related to other poolings of interests transactions consummated during 1998.

Furthermore, the Company recorded certain unusual charges of \$864,063,000 in 1998 that were primarily, yet indirectly related to the WM Holdings Merger as discussed in Note 14.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1997 Pooling of Interests Transactions

On August 26, 1997, the Company consummated a merger with United Waste Systems, Inc. ("United") accounted for as a pooling of interests (the "United Merger") and, accordingly, the accompanying consolidated financial statements include the accounts and operations of United for all periods presented. Under the terms of the United Merger, the Company issued 1.075 shares of its common stock for each outstanding share of United common stock. Additionally, at the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were canceled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. The United Merger increased the Company's outstanding shares of common stock by approximately 51,900,000 shares, which includes approximately 1,900,000 shares exchanged for the United stock options. In the third quarter of 1997, the Company incurred approximately \$89,152,000 in merger costs associated with the United Merger. Of this amount, \$17,566,000 related to transaction costs, \$26,198,000 for severance and other termination benefits, \$21,629,000 for integration of operations, and \$23,759,000 for the disposal of duplicate facilities and impaired assets as a result of the United Merger. The results of operations for United prior to consummation of the United Merger for the restated periods are as follows (in thousands):

	SIX MONTHS ENDED JUNE 30, 1997	YEAR ENDED DECEMBER 31, 1996
	-----	-----
	(UNAUDITED)	
Operating revenues.....	\$216,619	\$335,743
Net income.....	23,849	35,393

1996 Pooling of Interests Transactions

On August 30, 1996, the Company consummated a merger with Sanifill, Inc. ("Sanifill") accounted for as a pooling of interests (the "Sanifill Merger") and, accordingly, the accompanying consolidated financial statements include the accounts and operations of Sanifill for all periods presented. Under the terms of the Sanifill Merger, the Company issued 1.70 shares of its common stock for each share of Sanifill outstanding common stock. The Sanifill Merger increased the Company's outstanding shares of common stock by approximately 43,414,000 shares and the Company assumed Sanifill's options and warrants equivalent to approximately 4,361,000 underlying shares of the Company's common stock. In the third quarter of 1996, the Company incurred approximately \$80,000,000 in merger costs associated with the Sanifill Merger. The \$80,000,000 of merger costs includes \$9,500,000 of transaction costs, \$20,000,000 of relocation, severance, and other termination benefits, \$13,000,000 relating to integrating operations, and \$37,500,000 relating to the disposal of duplicate facilities. The results of operations for Sanifill prior to consummation of the Sanifill Merger for the restated periods are as follows (in thousands):

	SIX MONTHS ENDED JUNE 30, 1996

	(UNAUDITED)
Operating revenues.....	\$181,406
Net income.....	18,964

On May 7, 1996, the Company consummated a merger with Western Waste Industries ("Western") accounted for as a pooling of interests (the "Western Merger") and, accordingly, the accompanying consolidated financial statements include the accounts and operations of Western for all periods presented. Under the terms of the Western Merger, the Company issued 1.50 shares of its common stock for each share of Western outstanding common stock. Prior to the Western Merger, the Company owned approximately 4.1% of Western's outstanding shares (634,900 common shares), which were canceled on the effective date of the Western Merger. The Western Merger increased the Company's outstanding shares of common stock by

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

approximately 22,028,000 shares and the Company assumed options under Western's stock option plans equivalent to approximately 5,200,000 underlying Company shares of common stock. In the second quarter of 1996, the Company incurred approximately \$35,000,000 in merger costs associated with the Western Merger and approximately \$4,800,000 in benefits related to Western's pre-merger retirement program. The \$35,000,000 of merger costs include \$6,800,000 of transaction costs, \$15,000,000 of severance and other termination benefits, and \$13,200,000 of costs related to integrating operations. The results of operations for Western prior to consummation of the Western Merger for the restated periods are as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 1996 ----- (UNAUDITED)
Operating revenues.....	\$68,441
Net income.....	4,703

1998 and 1997 Purchase Acquisitions and Acquisitions of Minority Interests

On November 30, 1998, the Company acquired the 49% interest of Waste Management International plc's ("WMI plc") United Kingdom operations that was previously owned by Wessex Water Plc for 205 million pounds, which is equivalent to \$342,000,000.

On November 3, 1998, the Company acquired the publicly owned shares of its subsidiary, WMI plc. Under the agreement, the Company paid approximately \$443,000,000 in the aggregate, to the holders of the approximately 20% of the outstanding shares of WMI plc not previously owned by WM Holdings and its subsidiaries. The Company liquidated WMI plc after the acquisition in an effort to simplify the corporate structure and provide enhanced tax planning opportunities.

On June 18, 1998, the Company acquired the solid waste businesses of American Waste Systems, Inc. for approximately \$150,000,000 in cash. The businesses acquired include three landfills and one collection operation located in Ohio.

On March 31, 1998, the Company acquired the remaining outstanding shares of Wheelabrator Technologies Inc. ("WTI"), which it did not already own for \$876,200,000 in cash.

On January 14, 1998, the Company acquired the solid waste divisions of City Management Holdings Trust ("City Management") for approximately \$810,000,000 consisting primarily of cash and assumed debt. The businesses acquired include 20 collection operations, ten landfills, and 12 transfer stations, located primarily in Michigan.

On April 1, 1997, the Company acquired substantially all of the assets of Mid-American Waste Systems, Inc. for approximately \$201,000,000, consisting primarily of cash and assumed debt. The assets acquired include 11 collection operations, 11 landfills, six transfer stations, and three recycling operations.

On March 12, 1997, the Company acquired substantially all of the Canadian solid waste subsidiaries of Allied Waste Industries, Inc. for approximately \$518,000,000 in cash. Those businesses represented 41 collection operations, seven landfills, and eight transfer stations in Alberta, British Columbia, Manitoba, Ontario, Quebec, and Saskatchewan.

In addition to the above purchase acquisitions, the Company consummated numerous other acquisitions that were accounted for under the purchase method of accounting. Results of operations of companies that were acquired and subject to purchase accounting are included from the dates of such acquisitions.

The total cost of acquisitions accounted for under the purchase method of accounting, excluding the purchases of minority interests, was approximately \$2,452,690,000 and \$2,150,975,000 in 1998 and 1997, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The pro forma information set forth below assumes acquisitions in 1998 and 1997 accounted for as purchases had occurred at the beginning of 1997. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated at that time (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,	
	1998	1997
	(UNAUDITED)	(UNAUDITED)
Operating revenues.....	\$13,137,758	\$13,431,884
Income (loss) from continuing operations.....	(735,939)	(938,850)
Net income (loss).....	(739,839)	(851,907)
Basic earnings (loss) per common share:		
Income (loss) from continuing operations.....	(1.25)	(1.66)
Net income (loss).....	(1.26)	(1.51)
Diluted earnings (loss) per common share:		
Income (loss) from continuing operations.....	(1.25)	(1.66)
Net income (loss).....	(1.26)	(1.51)

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	DECEMBER 31,	
	1998	1997
	-----	-----
Land and landfills.....	\$ 8,384,077	\$ 7,160,129
Vehicles.....	2,797,137	2,676,433
Machinery and equipment.....	3,072,162	3,078,799
Containers.....	1,844,904	1,637,023
Buildings and improvements.....	1,632,006	1,664,572
Furniture and fixtures.....	505,527	544,035
	-----	-----
	18,235,813	16,760,991
Less accumulated depreciation and amortization.....	(6,598,074)	(5,572,461)
	-----	-----
	\$11,637,739	\$11,188,530
	=====	=====

Depreciation and amortization expense for property and equipment was \$1,314,568,000, \$1,242,061,000 and \$1,102,260,000 for 1998, 1997, and 1996, respectively.

Effective October 1, 1997, the Board of Directors of WM Holdings approved a revision to WM Holdings' North American collection fleet management policy. Under the revised policy, WM Holdings replaced front-end loaders after eight years, and rear-end loaders and roll-off trucks after ten years. The previous policy was to not replace front-end loaders before they were a minimum of ten years old and other heavy collection vehicles before they were a minimum of 12 years old. As a result of this decision, the Company recognized an impairment writedown of \$70,900,000 in the fourth quarter of 1997 for those vehicles scheduled for replacement in the next two years under the new policy. Depreciable lives were adjusted for the WM Holdings fleet commencing in the fourth quarter of 1997 to reflect the new policy. Also effective October 1, 1997, WM Holdings reduced depreciable lives on containers from 15 and 20 years to 12 years, and ceased assigning salvage value in computing depreciation on North American collection vehicles or containers. These changes in estimates resulted in an increase in depreciation expense of \$33,700,000 in the fourth quarter of 1997. Upon consummation of the WM Holdings Merger, WM Holdings' replacement policies were conformed with that of the Company, which are materially consistent with the revised WM Holdings policy stated above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Also effective October 1, 1997, WM Holdings changed its process of evaluating the probability that landfill airspace from expansions will be permitted. This change in estimate decreased the useful lives of certain WM Holdings landfills and increased depreciation and amortization and the provision for final closure and post-closure by \$15,800,000 in the fourth quarter of 1997.

5. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	DECEMBER 31,	
	1998	1997
Bank borrowings.....	\$ 1,903,100	\$ 485,500
Commercial paper, average interest of 5.7% in 1998, and 6.1% in 1997.....	840,108	356,327
Senior notes and debentures, interest of 6 1/8% to 8 3/4%, due 1999 to 2028.....	5,959,884	5,224,119
4% Convertible subordinated notes due 2002.....	535,275	535,275
4 1/2% Convertible subordinated notes due 2001.....	148,370	149,500
5% Convertible subordinated debentures due 2006.....	114,445	115,000
5.75% Convertible subordinated notes due 2005.....	453,680	450,182
Tax-exempt and project bonds, principal payable in periodic installments, maturing through 2021, fixed and variable interest rates ranging from 3.53% to 9.25% at December 31, 1998.....	1,220,634	1,307,793
Installment loans and notes payable, interest to 14%, maturing through 2017.....	491,533	779,709
Other.....	30,914	76,556
	-----	-----
	11,697,943	9,479,961
Less current maturities.....	583,742	1,598,012
	-----	-----
	\$11,114,201	\$7,881,949
	=====	=====

The aggregate estimated payments, including scheduled minimum maturities, of long-term debt outstanding at December 31, 1998, for the following five years and thereafter are as follows (in thousands).

1999.....	\$ 583,742
2000.....	2,706,367
2001.....	760,401
2002.....	2,394,956
2003.....	626,455
Thereafter.....	4,626,022

	\$11,697,943
	=====

Upon consummation of the WM Holdings Merger, the Company entered into a \$3,000,000,000 syndicated loan facility (the "Syndicated Facility") which was in addition to the Company's existing \$2,000,000,000 senior revolving credit facility (the "Credit Facility"). The Syndicated Facility requires annual renewal by the lender and provides for a one-year term option at the Company's request in the event of non-renewal. The Syndicated Facility is available for borrowings, including up to \$800,000,000 of standby letters of credit and to support the issuance of commercial paper; accordingly, commercial paper has been classified as non-current for financial reporting purposes. The applicable interest rate and facility fee for the Syndicated Facility are similar to those contained in the Company's then existing Credit Facility (which was amended to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

provide for the WM Holdings Merger). The covenant restrictions for the Syndicated Facility and Credit Facility include, among others, interest coverage and debt capitalization ratios, and limitations on dividends, additional indebtedness, liens, and asset sales. The Syndicated Facility and Credit Facility are used to refinance existing bank loans and letters of credit, to fund acquisitions, and for working capital purposes. At December 31, 1997, the committed capacity under the Credit Facility was \$2,000,000,000, including standby letters of credit of up to \$650,000,000. At December 31, 1997, the applicable interest rate was 6.1% per annum and the facility fee was 0.1125% per annum, with the Company having borrowed \$430,000,000 and issued letters of credit of \$467,029,000 under the Credit Facility. Principal reductions are not required during the five-year term of the Credit Facility, which was entered into on August 7, 1997. At December 31, 1998, the applicable interest rate on the syndicated Facility was 5.46% and there were no borrowings outstanding under the Credit Facility. The facility fee was 0.10% and 0.125% per annum, under the Syndicated Facility and Credit Facility, respectively, at December 31, 1998. The Company had borrowed \$1,545,000,000 and had issued letters of credit of \$1,253,361,000 under the Syndicated Facility and Credit Facility at December 31, 1998.

In November 1998, the Company entered into two multi-currency credit facilities totaling EURO 300,000,000, with a syndicate of banks. The facilities provide for borrowings in several currencies and are renewable annually. The outstanding balance as of December 31, 1998 was EURO 228,176,000 (equivalent to \$267,400,000). The applicable interest rate is determined by LIBOR or PIBOR plus margin and mandatory costs as defined per the agreement. The interest rates on the two outstanding loans at December 31, 1998, were 7.03% and 3.87%.

On July 17, 1998, the Company issued \$600,000,000 of 7% senior notes, due on July 15, 2028 (the "7% Notes") and \$600,000,000 of 6 1/8% mandatorily tendered senior notes, due on July 15, 2011 (the "6 1/8% Notes"). The 7% Notes are redeemable, in whole or in part, at the option of the Company at any time and from time to time at the redemption price, as defined in the indenture. The 6 1/8% Notes are subject to certain mandatory tender features as described in the indenture, which may require the purchase by the Company of a portion of or all of the outstanding notes on July 15, 2001. The proceeds from the 7% Notes and 6 1/8% Notes were used to repay outstanding indebtedness under the Company's bank borrowings. Interest on the 7% Notes and 6 1/8% Notes is payable semi-annually on January 15 and July 15.

In May 1998, the Company retired approximately \$40,000,000 of certain debt with an average interest rate of 9.0% with proceeds from the Credit Facility. In connection with this debt retirement, the Company incurred prepayment penalties and other fees of \$1,811,000 and wrote off the remaining unamortized discounts and debt offering costs of \$4,689,000, which were recorded as an extraordinary item.

On December 17, 1997, the Company issued \$350,000,000 of 6 1/2% senior notes due December 15, 2002, and \$150,000,000 of 7 1/8% senior notes due December 15, 2017. The senior notes constitute senior and unsecured obligations of the Company ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined in the indenture. The 6 1/2% senior notes due December 15, 2002, are not redeemable. The \$150,000,000 of 7 1/8% senior notes due December 15, 2017, are redeemable, in whole or in part, at the option of the Company at any time and from time to time at a redemption price defined in the indenture. Interest is payable semi-annually on December 15 and June 15. The proceeds were used to repay debt under the Company's bank borrowings.

On September 12, 1997, the Company issued \$300,000,000 of 7% senior notes due October 1, 2004, and \$300,000,000 of 7 1/8% senior notes due October 1, 2007. The senior notes constitute senior and unsecured obligations of the Company, ranking equal in right of payment with all other senior and unsecured obligations of the Company, as defined in the indenture. The senior notes are redeemable at the option of the Company at any time and from time to time at the principal amount of such notes, plus accrued interest. Interest is payable semi-annually on October 1 and April 1. The proceeds were used to repay debt under the Company's bank borrowings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During August 1997 and September 1997, the Company prepaid the holders of certain privately placed senior note an aggregate amount of \$182,500,000 with proceeds from its Credit Facility. Interest on these privately placed senior notes ranged from 7.29% to 8.44%. In connection with this transaction, the Company was required to pay prepayment penalties of \$7,975,000 and wrote off the remaining unamortized deferred offering costs of approximately \$1,311,000, which was recorded as an extraordinary item in the third quarter of 1997.

On February 7, 1997, the Company issued \$535,275,000 of 4% convertible subordinated notes, due on February 1, 2002. Interest is payable semi-annually in February and August. The notes are convertible by the holders into shares of the Company's common stock at any time at a conversion price of \$43.56 per share. The notes are subordinated in right of payment to all existing and future senior indebtedness, as defined in the indenture. The notes are redeemable after February 1, 2000 at the option of the Company at 101.6% of the principal amount, declining to 100.8% of the principal amount on February 1, 2001 and thereafter until maturity, at which time the notes will be redeemed at par, plus accrued interest. The proceeds were primarily used to repay debt under the Company's bank borrowings, to fund acquisitions, and for general corporate purposes.

On June 5, 1996, United issued \$150,000,000 of 4 1/2% convertible subordinated notes, due June 1, 2001. Interest is payable semi-annually in June and December. The notes are convertible into shares of the Company's common stock at a conversion price of \$30.23 per share. The notes are subordinated in right of payment to all existing and future senior indebtedness, as defined in the indenture. The notes are redeemable after June 1, 1999, at the option of the Company at 101.8% of the principal amount, declining annually to par on June 1, 2001, plus accrued interest.

On March 4, 1996, Sanifill issued \$115,000,000 of 5% convertible subordinated debentures, due on March 1, 2006. Interest is payable semi-annually in March and September. The debentures are convertible into shares of the Company's common stock at a conversion price of \$28.31 per share. The debentures are subordinated in right of payment to all existing and future senior indebtedness, as defined in the indenture. In March 1999, these debentures were called by the Company and subsequently converted into equity by the debenture holders. See Note 20.

The 5.75% convertible subordinated notes due 2005 are subordinated to all existing and future senior indebtedness of the Company. Each note bears cash interest at the rate of two percent per annum of the \$1,000 principal amount at maturity, payable semi-annually. The difference between the principal amount at maturity of \$1,000 and the \$717.80 stated issue price of each note represents the stated discount. At the option of the holder, each note can be purchased for cash by the Company on March 15, 2000, at \$843.03. Accrued unpaid interest to those dates will also be paid. The notes will be callable by the Company on and after March 15, 2000, for cash, at the stated issue price plus accrued stated discount and accrued but unpaid interest through the date of redemption. In addition, each note is convertible at any time prior to maturity into approximately 18.9 shares of the Company's common stock, subject to adjustment upon the occurrence of certain events. Upon any such conversion, the Company will have the option of paying cash equal to the market value of the shares which would otherwise be issuable.

6. ENVIRONMENTAL LIABILITIES

The Company has material financial commitments for the costs associated with its future obligations for final closure, which is the closure of the final cell of a landfill or the regulatory required costs associated with existing operations at a hazardous waste treatment, storage or disposal facility which are subject to Toxic Substances Central Act ("TSCA") or Subtitle D of the Resource Conservation and Recovery Act ("RCRA") hazardous waste treatment, storage, or disposal facility, and post-closure of those facilities. For landfills, the final closure and post-closure liabilities are accrued and charged to expense as airspace is consumed such that the total estimated final closure and post-closure cost will be fully accrued for each

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

landfill at the time the site discontinues accepting waste and is closed. Estimates for final closure and post-closure costs are developed using input from the Company's engineers and accountants and are reviewed by management (typically not less than once per year). The estimates are based on the Company's interpretation of current requirements and proposed regulatory changes. In the U.S., the final closure and post-closure requirements are established under the standards of the U.S. Environmental Protection Agency's Subtitle C and D regulations, as implemented and applied on a state-by-state basis. Such costs may increase in the future as a result of legislation or regulation. Final closure and post-closure accruals consider estimates for the final cap and cover for the site, methane gas control, leachate management and groundwater monitoring, and other operational and maintenance costs to be incurred after the site discontinues accepting waste, which is generally expected to be for a period of up to thirty years after final site closure. For purchased disposal sites, the Company assesses and records a final closure and post-closure liability at the time the Company assumes closure responsibility based upon the estimated final closure and post-closure costs and the percentage of airspace utilized as of such date. Thereafter, the difference between the final closure and post-closure costs accrued and the total estimated closure and post-closure costs to be incurred is accrued and charged to expense as airspace is consumed. Such costs for foreign landfills are estimated based on compliance with local laws, regulations and customs. For other facilities, final closure and post-closure costs are determined in consideration of regulatory requirements.

The Company has also established procedures to evaluate its potential remedial liabilities at closed sites which it owns or operates, or to which it transported waste, including 88 sites listed on the Superfund National Priorities List ("NPL") as of December 31, 1998. The majority of situations involving NPL sites relate to allegations that subsidiaries of the Company (or their predecessors) transported waste to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. The Company routinely reviews and evaluates sites that require remediation, including NPL sites, giving consideration to the nature (e.g., owner, operator, transporter, or generator), and the extent (e.g., amount and nature of waste hauled to the location, number of years of site operation by the Company, or other relevant factors) of the Company's alleged connection with the site, the accuracy and strength of evidence connecting the Company to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties ("PRPs"), and the nature and estimated cost of the likely remedy. Cost estimates are based on management's judgment and experience in remediating such sites for the Company as well as for unrelated parties, information available from regulatory agencies as to costs of remediation, and the number, financial resources and relative degree of responsibility of other PRPs who are jointly and severally liable for remediation of a specific site, as well as the typical allocation of costs among PRPs. These estimates are sometimes a range of possible outcomes. In such cases, the Company provides for the amount within the range which constitutes its best estimate. If no amount within the range appears to be a better estimate than any other amount, then the Company provides for the minimum amount within the range in accordance with the SFAS No. 5. The Company believes that it is "reasonably possible," as that term is defined in SFAS No. 5 ("more than remote but less than likely"), that its potential liability, at the high end of such ranges, would be approximately \$233,000,000 higher on a discounted basis in the aggregate than the estimate that has been recorded in the consolidated financial statements as of December 31, 1998.

Estimates of the extent of the Company's degree of responsibility for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions and are inherently difficult, and the ultimate outcome may differ from current estimates. However, the Company believes that its extensive experience in the environmental services business, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. As additional information becomes available, estimates are adjusted as necessary. While the Company does not anticipate that any such adjustment would be material to its consolidated financial statements, it is reasonably possible that technological, regulatory or enforcement developments, the results of environmental studies, the existence and ability of other PRPs to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

contribute to the settlements of such liabilities, or other factors could necessitate the recording of additional liabilities which could be material.

Where the Company believes that both the amount of a particular environmental liability and the timing of the payments are reliably determinable, the cost in current dollars is inflated at 2% (3% at December 31, 1997) until expected time of payment and then discounted to present value at 5.5% (6% at December 31, 1997). The portion of the Company's recorded environmental liabilities that is not inflated or discounted was approximately \$492,339,000 and \$344,700,000 at December 31, 1998 and 1997, respectively. Had the Company not discounted any portion of its liability, the amount recorded would have been increased by approximately \$308,262,000 at December 31, 1998.

The Company's liabilities for final closure, post-closure monitoring and environmental remediation costs were as follows (in thousands):

	DECEMBER 31,	
	1998	1997
Current portion, included in accrued liabilities.....	\$ 150,592	\$ 129,611
Non-current portion.....	971,507	1,038,049
Total recorded.....	1,122,099	\$1,167,660
		=====
Amount to be provided over remaining life of active sites, including discount of \$308,262 related to recorded amounts.....	1,806,966	

Expected aggregate environmental liabilities based on current cost.....	\$2,929,065	
		=====

Anticipated payments (based on current costs) of environmental liabilities at December 31, 1998, are as follows (in thousands):

1999.....	\$ 150,592
2000.....	101,499
2001.....	73,053
2002.....	57,216
2003.....	47,415
Thereafter.....	2,499,290

Total.....	\$2,929,065
	=====

In addition to the amounts above, at a certain site, the Company has perpetual care obligations aggregating approximately \$1,527,000 per year.

From time to time, the Company and certain of its subsidiaries are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of a Company subsidiary having allegedly owned, operated or transported waste to a disposal facility which is alleged to have contaminated the environment or, in certain cases, conducted environmental remediation activities at such sites. While the Company believes it has meritorious defenses to these lawsuits, their ultimate resolution is often substantially uncertain due to a number of factors, and it is possible such matters could have a material adverse impact on the Company's earnings for one or more quarters or years.

The Company has filed suit against numerous insurance carriers seeking reimbursement for past and future remedial, defense and tort claim costs at a number of sites. Carriers involved in these matters have typically denied coverage and are defending against the Company's claims. While the Company is vigorously

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

pursuing such claims, it regularly considers settlement opportunities when appropriate terms are offered. Settlements to date (\$46,600,000 in 1998, \$94,300,000 in 1997, and \$60,300,000 in 1996) have been included in operating costs and expenses as an offset to environmental expenses.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value amounts have been determined by the Company using available market information and commonly accepted valuation methodologies. However, considerable judgement is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company or holders of the instruments could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value estimates presented herein are based on information available to management as of December 31, 1998 and 1997. Such amounts have not been revalued since those dates, and current estimates of fair value may differ significantly from the amounts presented herein.

The carrying values of cash and cash equivalents, short-term investments, restricted funds held by trustees, trade accounts receivable, trade accounts payable, financial instruments included in notes and other receivables, financial instruments included in other assets, and derivative financial instruments approximate their fair values principally because of the short-term maturities of these instruments.

The fair values of the Company's outstanding indebtedness is as follows (in thousands):

	DECEMBER 31,			
	1998		1997	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Senior notes and debentures.....	\$5,959,884	\$6,202,556	\$5,224,119	\$5,345,490
4% Convertible subordinated notes due 2002.....	535,275	641,795	535,275	592,148
4 1/2% Convertible subordinated notes due 2001.....	148,370	232,985	149,500	214,906
5% Convertible subordinated debentures due 2006.....	114,445	188,489	115,000	170,631
5.75% Convertible subordinated notes due 2005.....	453,680	442,928	450,182	467,821
Tax-exempt and project bonds.....	1,220,634	1,320,841	1,307,793	1,371,871
Other borrowings.....	3,265,655	3,303,520	1,698,092	1,706,129

8. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate agreements -- The Company and its subsidiaries have entered into interest rate swap agreements to balance fixed and floating rate debt in accordance with management's criteria. The agreements are contracts to exchange fixed and floating interest rate payments periodically over a specified term without the exchange of the underlying notional amounts. The agreements provide only for the exchange of interest on the notional amounts at the stated rates, with no multipliers or leverage. Differences paid or received are accrued in the consolidated financial statements as a part of interest expense on the underlying debt over the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

life of the agreements and the swap is not recorded on the balance sheet. As of December 31, 1998, interest rate agreements in notional amounts and with terms as set forth in the following table were outstanding:

CURRENCY	NOTIONAL AMOUNT	RECEIVE	PAY	DURATION OF AGREEMENTS
U.S. Dollar.....	50,000,000	Floating	Fixed	June 1997 to June 1999
U.S. Dollar.....	24,000,000	Floating	Fixed	November 1994 to September 1999
U.S. Dollar.....	15,000,000	Floating	Fixed	November 1996 to November 1999
Dutch Guilder.....	115,000,000	Floating	Fixed	November 1996 to January 2000
German Deutschemark.....	150,000,000	Floating	Fixed	March 1996 to January 2000
French Franc.....	200,000,000	Fixed	Floating	December 1998 to December 2002
U.S. Dollar.....	33,750,000	Floating	Fixed	January 1998 to January 2003
U.S. Dollar.....	23,772,000	Floating	Fixed	April 1997 to April 2012

Currency agreements -- From time to time, the Company and certain of its subsidiaries use foreign currency derivatives to seek to mitigate the impact of translation on foreign earnings and income from foreign investees. Typically these have taken the form of purchased put options or collars. The Company receives or pays, based on the notional amount of the option, the difference between the average exchange rate of the hedged currency against the base currency and the average (strike price) contained in the option. Complex instruments involving multipliers or leverage are not used. Although the purpose for using such derivatives is to mitigate currency risk, they do not qualify for hedge accounting under generally accepted accounting principles and, accordingly, must be adjusted to market value at the end of each accounting period with gains or losses included in other income. There were no currency derivatives of this type outstanding at December 31, 1998. From time to time, the Company also uses foreign currency forward contracts to hedge committed transactions when the terms of such a transaction are known and there is a high probability that the transaction will occur.

Commodity agreements -- Prior to the WM Holdings Merger, WM Holdings utilized derivatives to seek to mitigate the impact of fluctuations in the price of fuel used by its vehicles. Quantities hedged did not exceed anticipated fuel purchases in any period. Gains or losses were recognized in operating expenses, as cost of fuel purchases, when paid or received. The primary instruments used were collars, swaps and swaptions. Collars consist of the purchase of call options along with a corresponding sale of put options at a lower price, with the effect of establishing a "cap" and a "floor" with respect to the price of specified quantities of fuel. A swap is an agreement with a counterparty whereby WM Holdings would pay a fixed price and would receive a floating price for specified quantities during a given period. In a swaption, WM Holdings would be paid a premium by the counterparty for the right, but not the obligation, at the end of the option period (usually 90 to 180 days) to enter into a swap with respect to a specified quantity in a given period in the future. All such derivatives were terminated following the WM Holdings Merger, and no fuel hedging transactions were outstanding at December 31, 1998.

9. CAPITAL STOCK

The Board of Directors is authorized to issue preferred stock in series, and with respect to each series, to fix its designation, relative rights (including voting, dividend, conversion, sinking fund, and redemption rights), preferences (including dividends and liquidation), and limitations. The Company currently has no issued or outstanding preferred stock.

In June 1998, Eastern completed the registration and sale of 8,625,000 shares of its common stock at \$26.375 per share (equivalent to 5,525,175 shares of the Company's common stock at \$41.17 per share). This public offering included the sale of 500,000 shares of Eastern common stock by selling shareholders (equivalent to 320,300 shares of the Company's common stock). The net proceeds after deducting fees and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

related costs, were approximately \$205,000,000 and were primarily used to repay debt under Eastern's credit facility and for general corporate purposes.

As a condition to completing the WM Holdings Merger, during June 1998, WM Holdings sold 20,000,000 shares of its common stock from its treasury (equivalent to 14,500,000 shares of the Company's common stock) in an offering to the public. The net proceeds of approximately \$607,000,000 were used by WM Holdings to retire outstanding debt under its credit facilities.

In June 1997, prior to the WM Holdings Merger, the Company acquired a majority of the Canadian solid waste businesses of WM Holdings in a purchase business combination for consideration that included 1,705,757 shares of the Company's common stock. WM Holdings sold its shares of the Company's common stock on the open market during December 1997 for approximately \$65,000,000. Because the WM Holdings Merger was accounted for as a pooling of interests, WM Holdings' sale of its shares of the Company's common stock is treated as an equity offering to the public for financial accounting and reporting purposes.

On March 3, 1997, prior to its becoming a wholly-owned subsidiary of the Company, United completed a public offering in which it issued 3,450,000 shares of its common stock, priced at \$36.50 per share (equivalent to 3,708,750 shares of the Company's common stock, priced at \$33.95 per share). The net proceeds of approximately \$119,000,000 were used to repay debt under United's credit facility, to fund acquisitions, and for general corporate purposes.

On February 7, 1997, the Company completed a public offering of 11,500,000 shares of its common stock, priced at \$35.125 per share. The net proceeds of approximately \$387,438,000 were primarily used to repay bank borrowing.

In February 1997, the board of directors of WM Holdings authorized the repurchase of up to 50,000,000 shares of its own common stock (equivalent to 36,250,000 shares of the Company's common stock) in the open market, in privately negotiated transactions, or through issuer tender offers. WM Holdings repurchased 30,000,000 shares of its own common stock (equivalent to 21,750,000 shares of the Company's common stock) through a "Dutch auction" tender offer in the second quarter of 1997.

During 1994 through 1996, WM Holdings sold put options on 42,300,000 shares of its common stock (equivalent to 30,700,000 shares of the Company's common stock). The put options gave the holders the right at maturity to require WM Holdings to repurchase shares of its common stock at specified prices. Proceeds from the sale of put options were credited to additional paid-in capital. The amount WM Holdings would be obligated to pay to repurchase shares of its common stock if all outstanding put options were exercised was reclassified to a temporary equity account. In the event the options were exercised, WM Holdings had the right to pay the holder in cash the difference between the strike price and the market price of WM Holdings' shares, in lieu of repurchasing the stock. Options on 32,500,000 shares expired unexercised, as the price of WM Holdings' stock was in excess of the strike price at maturity. WM Holdings repurchased 3,100,000 shares of its common stock at a cost of \$107,500,000, and 6,700,000 options were settled for cash of \$13,600,000. There were no put options outstanding at and subsequent to December 31, 1997.

As of December 31, 1998, the Company is limited in its ability to pay dividends pursuant to its current credit agreements of amounts not to exceed \$100,000,000 per year. The Company declared cash dividends of approximately \$93,810,000, \$309,577,000, and \$308,265,000, to its shareholders during 1998, 1997, and 1996, respectively. Based on the Company's weighted average common shares outstanding, the cash dividends per common share are \$0.16, \$0.56, and \$0.57 for the years ended December 31, 1998, 1997, and 1996, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. COMMON STOCK OPTIONS AND WARRANTS

In accordance with the Company's 1990 Stock Option Plan (the "1990 Plan"), options to purchase 900,000 shares of the Company's common stock may be granted to officers, directors, and key employees. In accordance with the Company's 1993 Stock Option Incentive Plan, as amended (the "1993 Plan"), options to purchase 26,500,000 shares of the Company's common stock may be granted to officers, directors, and key employees. Options are granted under both the 1990 Plan and the 1993 Plan at an exercise price which equals or exceeds the fair market value of the common stock on the date of grant, with various vesting periods, and expire up to ten years from the date of grant. No options are available for future grant under the 1990 Plan.

Under the Company's 1996 Stock Option Plan for Non-Employee Directors ("1996 Directors Plan"), its directors who are not officers, full-time employees, or consultants of the Company receive an annual grant of 12,500 options on each January 1 (amended to 10,000 options effective January 1, 1999). In accordance with the 1996 Directors Plan, options to purchase up to 1,400,000 shares of the Company's common stock may be granted, with five year vesting periods (amended to one year effective January 1, 1999), and expiration dates ten years from the date of grant. Options may be granted at an exercise price which equals fair market value of the common stock on the date of grant.

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). SFAS No. 123 prescribes a fair value based method of determining compensation expense related to stock-based awards granted to employees. The recognition provisions of SFAS No. 123 are optional; however, entities electing not to adopt the recognition provisions of SFAS No. 123 are required to make disclosures of pro forma net income and earnings per share as if the recognition provisions of SFAS No. 123 had been applied, as well as disclosures regarding assumptions utilized in determining the pro forma amounts. The Company did not adopt the recognition provisions of SFAS No. 123, however, the required disclosures are included below.

Stock options granted by the Company in 1998, 1997, and 1996 have ten year terms. Stock options granted by Eastern and Western became fully vested upon consummation of the respective mergers. Stock options granted by Sanifill continue to vest under varying vesting periods ranging from immediate vesting to five years following the date of grant. At the effective date of the United Merger, United stock options, whether or not such stock options had vested or had become exercisable, were canceled in exchange for shares of the Company's common stock equal in market value to the fair value of such United stock options, as determined by an independent third party. Stock options granted by WM Holdings prior to March 10, 1998, became fully vested upon consummation of the WM Holdings Merger, and certain of those include put provision benefits for up to a one year period from the date of the WM Holdings Merger (See Note 14). WM Holdings options granted after March 10, 1998, continue to vest in accordance with their original vesting schedule of 3 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table summarizes common stock option and warrant transactions under the aforementioned plans and various predecessor plans for 1998, 1997, and 1996:

	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE

	(IN 000'S)	
Outstanding at December 31, 1995.....	33,728	\$25.00
Granted.....	12,368	28.17
Assumed in acquisitions.....	373	24.94
Exercised.....	(7,411)	16.31
Forfeited.....	(1,147)	44.03

Outstanding at December 31, 1996.....	37,911	27.13
Granted.....	10,424	35.20
Exercised.....	(8,023)	17.26
Forfeited.....	(2,681)	43.99

Outstanding at December 31, 1997.....	37,631	30.46
Granted.....	10,645	43.92
Assumed in acquisitions.....	1,986	36.77
Exercised.....	(8,593)	34.17
Forfeited.....	(859)	45.33

Outstanding at December 31, 1998.....	40,810	32.72
	=====	
Exercisable at December 31, 1996.....	20,546	27.20
Exercisable at December 31, 1997.....	20,440	30.34
Exercisable at December 31, 1998.....	23,994	29.25

The common stock options and warrants outstanding at December 31, 1998, include approximately 21,247,000, common stock options and warrants granted by Western, Sanifill, United, WM Holdings, and Eastern, of which approximately 17,470,000 are exercisable.

The weighted average fair value of common stock options and warrants granted during 1998, 1997 and 1996 were \$18.61, \$11.92 and \$9.59, respectively. The fair value of each common stock option or warrant granted to employees or directors by the Company during 1998, 1997 and 1996 is estimated utilizing the Black-Scholes option-pricing model. The following weighted average assumptions were used: dividend yield of 0% to 2%, risk-free interest rates which vary for each grant and range from 5.06% to 7.67%, expected life of three to seven years for all grants, and stock price volatility primarily ranging from 25.2% to 31.3% for all grants.

Outstanding and exercisable stock options and warrants at December 31, 1998, were as follows (in thousands):

EXERCISE PRICE	OUTSTANDING			EXERCISABLE	
	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING TERM	OPTIONS AND WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$ 2.25 to \$ 10.00.....	3,428	\$ 6.71	3.1 years	3,426	\$ 6.71
\$10.01 to \$ 20.00.....	5,885	13.84	5.8 years	4,845	13.47
\$20.01 to \$ 30.00.....	6,985	24.82	7.0 years	3,793	24.19
\$30.01 to \$ 40.00.....	10,156	35.06	8.1 years	3,583	35.88
\$40.01 to \$ 50.00.....	9,274	45.20	6.5 years	6,907	44.48
\$50.01 to \$140.16.....	5,082	55.57	7.6 years	1,440	59.73
	-----			-----	
\$ 2.25 to \$140.16.....	40,810	32.72	6.7 years	23,994	29.25
	=====			=====	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

If the Company applied the recognition provisions of SFAS No. 123, the Company's net income (loss) and earnings (loss) per common share for 1998, 1997, and 1996 would approximate the pro forma amounts shown below (in thousands, except per share amounts):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Net income (loss):			
As reported.....	\$(770,702)	\$(938,895)	\$24,231
Pro forma.....	(833,014)	(978,831)	(1,042)
Basic earnings (loss) per common share:			
As reported.....	(1.32)	(1.68)	0.05
Pro forma.....	(1.43)	(1.76)	--
Diluted earnings (loss) per common share:			
As reported.....	(1.32)	(1.68)	0.04
Pro forma.....	(1.43)	(1.76)	--

The effects of applying SFAS No. 123 in this pro forma disclosure are not necessarily indicative of future amounts.

Beginning in 1996, WM Holdings made grants of restricted stock. Compensation expense for grants of restricted shares was recognized ratably over the vesting period (generally five to ten years) and amounted to approximately \$759,000 in 1998 through the date of the WM Holdings Merger, and \$2,400,000 and \$100,000 in 1997 and 1996, respectively. The unamortized restricted stock of \$9,209,000 vested upon consummation of the WM Holdings Merger, and accordingly was included in merger costs in 1998.

In September 1998, two senior executives were granted an aggregate of 1,700,000 shares under the 1993 Plan. The options granted vest according to certain performance goals in lieu of the normal vesting schedules. All such options fully vest no later than eight years from the date of grant.

11. EMPLOYEE BENEFIT PLANS

Principally through the USA Waste Services, Inc. Employee's Savings Plan, the Waste Management Retirement Savings Plan, and the Wheelabrator-Rust Savings and Retirement Plan, the Company has established qualified defined contribution retirement plans covering substantially all domestic employees other than those employees who are covered under collective bargaining agreements which do not provide for coverage under the plans. In previous years, certain of the plans provided for annual contributions by the Company as determined by their respective boards of directors. In 1998, the primary feature of plans covering the majority of participants was the Company match of employee contributions of amounts as specified in the applicable plan.

Effective January 1, 1999, the Waste Management Retirement Savings Plan and the Wheelabrator-Rust Savings and Retirement Plan were merged into the USA Waste Services, Inc. Employee's Savings Plan, which was then renamed the Waste Management Retirement Savings Plan ("Savings Plan"). The Savings Plan covers employees (except those working subject to a collective bargaining agreement which do not provide for coverage under the plans) following a 90 day waiting period after hire, and allows eligible employees to contribute up to 15% of their annual compensation, as limited by IRS regulations. Under the Savings Plan, the Company matches employee contributions up to 3% of their eligible compensation, and matches 50% of employee contributions in excess of 3% but less than 6% of eligible compensation. Both employee and Company contributions vest immediately. Charges to operations for these plans were \$69,721,000, \$42,335,000 and \$29,648,000 during 1998, 1997 and 1996, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Certain of the Company's foreign subsidiaries participate in both defined benefit and defined contribution retirement plans for its employees in those countries. The projected benefit obligation, plan assets and unfunded liability of the defined benefit plans are not material. In addition to the pension plan for certain employees under collective bargaining agreements established at the end of 1998 (see below), other Company subsidiaries participate in various multi-employer pension plans covering certain employees not covered under the Company's pension plan. These multi-employer plans are generally defined benefit plans; however, in many cases, specific benefit levels are not negotiated with or known by the employer contributors. Contributions of \$25,800,000, \$18,600,000 and \$16,500,000 for subsidiaries' defined benefit plans were made and charged to income in 1998, 1997 and 1996, respectively.

The Company had a qualified defined benefit pension plan for all eligible non-union domestic employees of WM Holdings which, as discussed below, was terminated as of December 31, 1998 in conjunction with the WM Holdings Merger. Throughout the life of the plan, benefits were based on the employee's years of service and compensation during the highest five consecutive years out of the last ten years of employment. The Company's funding policy was to contribute annually an amount determined in consultation with its actuaries, approximately equal to pension expense, except as may be limited by the requirements of the Employee Retirement Income Security Act ("ERISA"). An actuarial valuation report was prepared for the plan as of September 30 each year and used, as permitted by the FASB's Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions ("SFAS No. 87"), for the year-end disclosures.

In conjunction with the WM Holdings Merger, the Company decided to terminate the defined benefit pension plan as of December 31, 1998, and liquidate the plan's assets and settle its obligations to participants in 1999, except as related to certain employees participating under collective bargaining agreements, whose benefits were transferred to a newly created plan effective October 1, 1998. As required under the FASB's Statement of Financial Accounting Standard No. 88, Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, this decision has resulted in a curtailment expense charge in unusual items of \$34,716,000 in 1998, and is currently estimated to result in an approximate net cash settlement charge in unusual items in 1999 of \$125,000,000. To the extent that this termination benefit has not yet been charged to expense and funded, additional minimum pension liability has been recorded as a charge to other comprehensive income. The Company expects to record this amount in 1999, at which time it will result in an adjustment to other comprehensive income. The amount of the 1999 settlement is inversely sensitive to changing interest rates. This sensitivity is approximately \$20,000,000 for every 25 basis point fluctuation in interest rates.

Also in conjunction with the WM Holdings Merger, the Company has terminated certain non-qualified supplemental benefit plans for certain officers and non-officer managers, the most significant plan being the Supplemental Executive Retirement Plan (collectively the "Supplemental Plans"). The curtailment and settlement loss related to these plans of \$61,987,000 was recorded in unusual items in 1998. A substantial portion of these benefits was paid to participants by December 31, 1998, and unpaid amounts are accrued at December 31, 1998.

WM Holdings and certain of its subsidiaries provided post-retirement health care and other benefits to eligible employees. In conjunction with the WM Holdings Merger, the Company has decided to limit participation in these plans to participating retired employees as of December 31, 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following tables provide a reconciliation of the changes in the plans' benefit obligations and the fair value of assets over the two-year period ending December 31, 1998, and a statement of the funded status as of December 31 of both years (in thousands):

	PENSION BENEFITS		OTHER BENEFITS	
	1998	1997	1998	1997
Change in benefit obligation:				
Benefit obligation at beginning of period.....	\$ 328,892	\$257,677	\$ 64,482	\$ 59,126
Service cost.....	17,892	14,720	1,783	1,212
Interest cost.....	23,944	20,877	4,535	4,538
Plan participants' contributions.....	--	--	300	721
Amendments.....	23,372	3,060	(24,188)	3,890
Actuarial (gain) loss.....	90,346	44,654	4,651	(230)
Benefits paid.....	(11,928)	(12,096)	(1,925)	(4,775)
Curtailements.....	52,209	--	4,085	--
Settlements.....	(52,959)	--	--	--
Benefit obligation at end of period.....	<u>\$ 471,768</u>	<u>\$328,892</u>	<u>\$ 53,723</u>	<u>\$ 64,482</u>
Change in plan assets:				
Fair value of plan assets at beginning of period.....	\$ 264,870	\$193,722	\$ --	\$ --
Actual return on plan assets.....	29,310	50,357	--	--
Employer contributions.....	89,985	32,887	1,625	4,054
Plan participants' contributions.....	--	--	300	721
Benefits paid.....	(11,928)	(12,096)	(1,925)	(4,775)
Settlements.....	(52,959)	--	--	--
Fair value of plan assets at end of period.....	<u>\$ 319,278</u>	<u>\$264,870</u>	<u>\$ --</u>	<u>\$ --</u>
Funded status:				
Funded status at December 31.....	<u>\$(152,490)</u>	<u>\$(64,022)</u>	<u>\$(53,723)</u>	<u>\$(64,482)</u>
Unrecognized transition (asset) obligation.....	(1,430)	(2,860)	--	(73)
Unrecognized net actuarial (gain) loss.....	123,554	67,176	469	(8,640)
Unrecognized prior service cost.....	(10)	953	(20,576)	3,890
Net amount recognized.....	<u>\$ (30,376)</u>	<u>\$ 1,247</u>	<u>\$(73,830)</u>	<u>\$(69,305)</u>

The following table provides the amounts recognized in the consolidated balance sheets as of December 31 of both years (in thousands):

	PENSION BENEFITS		OTHER BENEFITS	
	1998	1997	1998	1997
Prepaid benefit cost.....	\$ 8,220	\$ 32,139	\$ --	\$ --
Accrued benefit liability.....	(38,596)	(30,892)	(73,830)	(69,305)
Minimum pension liability.....	(118,871)	(10,139)	--	--
Intangible asset.....	--	1,184	--	--
Accumulated other comprehensive income before tax benefit.....	118,871	8,955	--	--
Net amount recognized.....	<u>\$ (30,376)</u>	<u>\$ 1,247</u>	<u>\$(73,830)</u>	<u>\$(69,305)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table provides the components of net periodic benefit cost for the years ended 1998, 1997, and 1996 (in thousands):

	PENSION BENEFITS			OTHER BENEFITS		
	1998	1997	1996	1998	1997	1996
Components of net periodic benefit cost:						
Service cost.....	\$ 17,892	\$ 14,720	\$ 15,309	\$1,783	\$1,212	\$1,118
Interest cost.....	23,944	20,877	16,610	4,535	4,538	4,375
Expected return on plan assets.....	(20,954)	(17,084)	(13,818)	--	--	--
Amortization of transition asset....	(1,430)	(1,430)	(1,430)	--	--	--
Amortization of prior-service cost.....	(35)	202	621	278	--	--
Amortization of net (gain) loss....	8,450	4,772	3,609	(445)	(253)	(313)
Net periodic benefit cost.....	27,867	22,057	20,901	6,151	5,497	5,180
Curtailement loss (included in asset impairments and unusual items).....	53,208	--	--	--	--	--
Settlement loss (included in asset impairments and unusual items).....	43,495	--	--	--	--	--
Net periodic benefit cost after curtailments and settlements....	\$124,570	\$ 22,057	\$ 20,901	\$6,151	\$5,497	\$5,180

The assumptions used in the measurement of the Company's benefit obligations are shown in the following table (weighted average assumptions as of December 31):

	PENSION BENEFITS		OTHER BENEFITS	
	1998	1997	1998	1997
Discount rate.....	6.25%	7.25%	6.50%	7.00%
Expected return on plan assets.....	9.00%	9.00%	n/a	n/a
Rate of compensation.....	3.50%	3.50%	n/a	n/a

The principal element of the Other Benefits referred to above is the post-retirement health care plan. Participants in the WM Holdings plan contribute to the cost of the benefit, and for retirees since January 1, 1992, the Company's contribution is capped at between \$0 and \$600 per month per retiree, based on years of service. For measurement purposes, a 7.1% annual rate of increase in the per capita cost of covered health care claims was assumed for 1998 (being an average of the rate used by all plans); the rate was assumed to decrease to 6% in 2001 and remain at that level thereafter. A 1% change in assumed health care cost trend rates would have the following effects (in thousands):

	1% INCREASE	1% DECREASE
Effect on total of service and interest components of net periodic post-retirement health care benefit cost.....	\$ 290	\$ (273)
Effect on the health care component of the accumulated post-retirement benefit obligation.....	\$3,938	\$(3,673)

In 1998, WM Holdings merged the Employee Stock Ownership Plan that was initially established for eligible WM Holdings' employees in 1988 into its Retirement Savings Plan. During 1994, WM Holdings established an Employee Stock Benefit Trust ("Trust") and sold 12,600,000 shares of its treasury stock to the Trust in return for a 30-year, 7.33% note with interest payable quarterly and principal due at maturity. WM Holdings has agreed to contribute to the Trust each quarter funds sufficient, when added to dividends on the shares held by the Trust, to pay interest on the note as well as principal outstanding at maturity. At the direction of an administrative committee, the trustee will use the shares or proceeds from the sale of shares to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

pay employee benefits, and to the extent of such payments by the Trust, the Company will forgive principal and interest on the note. The shares of common stock issued to the Trust are not considered to be outstanding in the computation of earnings per share until the shares are utilized to fund obligations for which the trust was established. Changes in the market value of these shares are reflected as adjustments in additional paid-in capital.

12. INCOME TAXES

For financial reporting purposes, income (loss) from continuing operations before income taxes, showing domestic and international sources, is as follows (in thousands):

	1998	1997	1996
	-----	-----	-----
Domestic.....	\$(896,875)	\$(865,783)	\$757,537
International.....	196,996	203,286	16,695
	-----	-----	-----
Income (loss) from continuing operations.....	\$(699,879)	\$(662,497)	\$774,232
	=====	=====	=====

The provision for income taxes on continuing operations consists of the following (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
Current:			
Federal.....	\$ 356,056	\$ 569,935	\$216,814
State.....	88,484	83,592	57,860
Foreign.....	72,541	85,357	22,875
	-----	-----	-----
	517,081	738,884	297,549
	-----	-----	-----
Deferred:			
Federal.....	(463,635)	(369,408)	86,654
State.....	(51,889)	(27,271)	26,936
Foreign.....	65,366	21,136	75,561
	-----	-----	-----
	(450,158)	(375,543)	189,151
	-----	-----	-----
Provision for income taxes.....	\$ 66,923	\$ 363,341	\$486,700
	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The federal statutory rate is reconciled to the effective rate as follows:

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Income taxes (benefit) at federal statutory rate.....	(35.00)%	(35.00)%	35.00%
State and local income taxes, net of federal income tax benefit.....	3.23	5.51	7.11
Nondeductible costs relating to acquired intangibles.....	16.85	30.88	7.55
Nondeductible merger costs.....	8.22	1.40	1.33
Writedown of investments in subsidiary.....	--	6.46	7.66
Minority interest.....	0.82	2.40	1.87
Gain on sale of foreign subsidiary.....	--	--	2.26
Deferred tax valuation and other tax reserves.....	8.79	40.11	0.90
Federal tax on foreign income.....	4.35	0.30	1.20
Nonconventional fuel tax credit.....	(3.61)	(2.80)	(1.99)
Other.....	5.91	5.59	(0.07)
	-----	-----	-----
Provision for income taxes.....	9.56%	54.85%	62.82%
	=====	=====	=====

The components of the net deferred tax assets (liabilities) are as follows (in thousands):

	DECEMBER 31,	
	1998	1997
Deferred tax assets:		
Net operating loss, capital loss and tax credit carryforwards.....	\$ 322,129	\$ 287,384
Environmental and other reserves.....	670,502	754,195
Reserves not deductible until paid.....	178,608	291,168
	-----	-----
Subtotal.....	1,171,239	1,332,747
Deferred tax liabilities:		
Property, equipment, intangible assets, and other.....	(1,072,138)	(1,567,579)
Valuation allowance.....	(331,592)	(232,800)
	-----	-----
Net deferred tax liabilities.....	\$ (232,491)	\$ (467,632)
	=====	=====

At December 31, 1998, the Company's subsidiaries have approximately \$200,599,000 of federal net operating loss ("NOL") carryforwards, \$1,007,749,000 of state NOL carryforwards, and \$598,930,000 of foreign NOL carryforwards. Foreign NOL carryforwards of approximately \$535,530,000 may be carried forward indefinitely; the remaining NOL carryforwards have expiration dates through 2013. The Company's subsidiaries have \$16,062,000 of alternative minimum tax credit carryforwards that may be used indefinitely; state tax credit carryforwards of \$5,039,000; federal investment tax credit carryforwards of \$381,000; and foreign tax credit carryforwards of \$32,614,000. Valuation allowances have been established for uncertainties in realizing the benefit of tax loss and credit carryforwards. While the Company expects to realize the deferred tax assets, net of the valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation.

During 1997, the valuation allowance increased approximately \$101,056,000, composed of increases to allowances due to the uncertainty of realizing alternative minimum tax credits, tax benefits from certain asset impairment writedowns (primarily land), foreign tax credits, and NOL carryforwards partially offset by reductions in allowances attributable primarily to foreign net operating loss carryforwards. In 1998, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

valuation allowance increased approximately \$98,792,000 primarily due to the uncertainty of realizing foreign NOL carryforwards.

The Company does not provide for U.S. income taxes on unremitted earnings of foreign subsidiaries as it is the present intention of management to reinvest the unremitted earnings in its foreign operations. Unremitted earnings of foreign subsidiaries are approximately \$498,000,000 at December 31, 1998. It is not practicable to determine the amount of U.S. income taxes that would be payable upon remittance of the assets that represent those earnings.

13. SEGMENT AND RELATED INFORMATION

The Company's North American solid waste management operations represents 80.5% of operating revenues, 98.7% of earnings before interest and tax ("EBIT"), and 77.3% of total assets in 1998, and is the Company's principal reportable segment under Statement of Financial Accounting Standards No. 131, Disclosure about Segments of an Enterprise and Related Information ("SFAS No. 131"). This segment provides integrated waste management services consisting of collection, transfer, disposal (solid waste landfill, hazardous waste landfill and waste-to-energy), recycling, and other miscellaneous services to commercial, industrial, municipal and residential customers in North America. Similar operations in international markets outside of North America are disclosed as a separate segment. The Company's other reportable segment consists of non-solid waste services, aggregated as a single segment for this reporting presentation as permitted under SFAS No. 131. The non-solid waste segment includes other hazardous waste services such as chemical waste management services and low-level and other radioactive waste services, the Company's independent power projects, and other non-solid waste services to commercial, industrial and government customers, and includes business lines that are being actively marketed. No single customer accounted for as much as 10% of consolidated revenue in any year.

Certain of the services provided by the Company are subject to extensive and evolving federal, state, and local environmental laws and regulations in the U.S. and elsewhere that have been enacted in response to technological advances and the public's increased concern over environmental issues. Refer to Notes 6 and 17 for a further discussion of regulatory issues.

Summarized financial information concerning the Company's reportable segments for the respective years ended December 31, is shown in the following table. Prior period information has been restated to conform to the segments described above, which are based on the structure and internal organization of the Company as of December 31, 1998 (in thousands):

	NORTH AMERICAN SOLID WASTE	INTERNATIONAL WASTE SERVICES	NON-SOLID WASTE	CORPORATE FUNCTIONS(A)	TOTAL
	-----	-----	-----	-----	-----
1998					
Net operating revenues(b)...	\$10,220,478	\$1,533,635	\$ 949,356	\$ --	\$12,703,469
Earnings before interest and taxes (EBIT)(c), (d)....	2,478,733	132,937	103,443	(204,043)	2,511,070
Depreciation and amortization.....	1,241,330	169,051	43,579	44,752	1,498,712
Capital expenditures.....	1,438,458	166,035	34,605	12,391	1,651,489
Total assets(d).....	17,553,957	3,107,968	1,003,035	1,050,238	22,715,198
1997					
Net operating revenues(b)...	\$ 9,244,910	\$1,789,988	\$ 937,600	\$ --	\$11,972,498
Earnings before interest and taxes (EBIT)(c), (d)....	1,790,027	187,619	96,082	(413,814)	1,659,914
Depreciation and amortization.....	1,086,547	181,353	55,258	68,652	1,391,810
Capital expenditures.....	1,128,904	150,908	29,337	23,058	1,332,207
Total assets(d).....	15,067,951	3,055,634	1,222,464	810,375	20,156,424

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	NORTH AMERICAN SOLID WASTE	INTERNATIONAL WASTE SERVICES	NON-SOLID WASTE	CORPORATE FUNCTIONS(A)	TOTAL
1996					
Net operating revenues(b)...	\$ 8,097,860	\$1,913,793	\$ 986,949	\$ --	\$10,998,602
Earnings before interest and taxes (EBIT)(c), (d)....	1,654,154	216,198	132,267	(148,927)	1,853,692
Depreciation and amortization.....	949,570	195,944	52,631	66,051	1,264,196
Capital expenditures.....	1,248,623	214,103	27,769	28,777	1,519,272
Total assets(d).....	13,938,513	4,103,273	2,118,313	567,425	20,727,524

- (a) Corporate functions include the corporate treasury function (except for limited amounts of locally negotiated and managed project debt), administration of corporate tax function, the corporate insurance function and management of closed landfill and related insurance recovery functions, along with other typical administrative functions.
- (b) Non-Solid Waste revenues are net of inter-segment revenue with North American Solid Waste of \$122,400,000, \$86,400,000 and \$69,100,000 in 1998, 1997 and 1996, respectively. There are no other significant sales between segments.
- (c) For those items included in the determination of EBIT, (the earnings measurement used by management to evaluate operating performance) the accounting policies of the segments are generally the same as those described in the summary of significant accounting policies.
- (d) There are no material asymmetrical allocations of EBIT versus assets between segments or corporate. Certain asset impairments and unusual items reported in the reconciliation of EBIT to reported net income below, however, have resulted in adjustments to assets ultimately reflected on segment balance sheets. Assets are net of inter-segment receivables and investments.

The reconciliation of total EBIT reported above to net income is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
EBIT, as reported above.....	\$2,511,070	\$ 1,659,914	\$1,853,692
(Plus) less:			
Merger costs.....	1,807,245	112,748	126,626
Asset impairments and unusual items....	864,063	1,771,145	529,768
Income (loss) from continuing operations held for sale.....	151	9,930	(315)
Interest expense.....	681,457	555,576	525,340
Interest income.....	(26,829)	(45,214)	(34,603)
Minority interest.....	24,254	45,442	41,289
Other income, net.....	(139,392)	(127,216)	(108,645)
Income (loss) from continuing operations before income taxes.....	(699,879)	(662,497)	774,232
Provision for income taxes.....	66,923	363,341	486,700
Income (loss) from continuing operations.....	(766,802)	(1,025,838)	287,532
Discontinued operations.....	--	(95,688)	263,301
Extraordinary loss.....	3,900	6,809	--
Cumulative effect of change in accounting principle.....	--	1,936	--
Net income (loss).....	\$ (770,702)	\$ (938,895)	\$ 24,231

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Foreign operations in 1998 were conducted in seven countries in Europe, seven countries in the Pacific Rim, Canada, Mexico, Brazil, Israel and Argentina. Operating revenues and property and equipment (net) relating to the Company's operations by significant geographic area is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Operating revenues:			
United States.....	\$10,681,924	\$ 9,707,546	\$ 8,897,002
Europe.....	1,264,209	1,406,026	1,523,347
Canada.....	425,531	412,633	150,837
Other foreign.....	331,805	446,293	427,416
Total.....	\$12,703,469	\$11,972,498	\$10,998,602
Property and equipment, net:			
United States.....	\$ 9,785,845	\$ 9,187,923	\$ 9,385,496
Europe.....	841,418	903,174	1,135,720
Canada.....	840,887	906,142	231,928
Other foreign.....	169,589	191,291	212,797
Total.....	\$11,637,739	\$11,188,530	\$10,965,941

The Company operates facilities in Hong Kong which are owned by the Hong Kong government. The Hong Kong economy has been impacted by the economic uncertainty associated with many of the countries in the region. High and volatile interest rates have resulted from speculation regarding its currency. The Company also has operations in Indonesia, Thailand and Brazil. These countries have experienced illiquidity, volatile currency exchange rates and interest rates, and reduced economic activity. The Company will be affected for the foreseeable future by economic conditions in this region, although it is not possible to determine the extent of such impact. At December 31, 1998, the Company has \$114,749,000 revenue, \$41,403,000 property and equipment, net, and \$104,103,000 total investment in the above Asian countries (including Hong Kong). The Company has a total investment of \$38,900,000 in Brazil which is primarily investments accounted for under the equity method of accounting. Income from continuing operations before income taxes from Hong Kong was \$21,200,000 in 1998. Income from Indonesia, Thailand and Brazil has not been significant to date.

14. ASSET IMPAIRMENTS AND UNUSUAL ITEMS

In 1998, 1997, and 1996, the Company recorded certain charges for asset impairments and unusual items resulting from reviews of business integration and operating plans. Such reviews were generally performed in connection with the Company's merger activities. In addition, the 1997 consolidated financial statements include a significant accounting charge resulting from a comprehensive review performed by the management of WM Holdings of its operations and investments in the fourth quarter of 1997. Similarly, the 1996 consolidated financial statements include accounting charges recorded by WM Holdings for certain operational and management restructuring activities and assets that had become impaired.

Fair values for asset impairment losses was determined for landfills, hazardous waste facilities, recycling investments and other facilities, primarily based on future cash flow projections discounted back using discount rates appropriate for the risks involved with the specific assets. For surplus real estate, market opinions and appraisals were used. In determining fair values for abandoned projects and vehicles to be sold, recoverable salvage values were determined using market estimates. Impaired assets to be sold are primarily businesses to be sold (see Note 18) and surplus real estate. The Company provides for losses in connection with long-term waste service contracts where an obligation exists to perform services and when it becomes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

evident the projected direct and incremental contract costs will exceed the related contract revenues. In general, these losses relate to contracts with remaining average duration of five years.

The following is a summary of asset impairments and unusual items that are reflected in the Company's consolidated financial statements for the year ended December 31, 1998 (in millions):

Provision for losses on contractual commitments.....	\$115.6
Changes in estimates relating to the reassessment of ultimate losses for certain legal and remediation issues.....	331.9
Write-down to estimated net sales proceeds of businesses to be sold.....	195.1
Curtailment and settlement costs of terminating the defined benefit pension plan (Note 11).....	34.7
Compensation charges for the liquidation of WM Holdings' Supplemental Executive Retirement Plan (Note 11) and other supplemental plans.....	72.2
Put provisions of certain WM Holdings' stock options as a result of change in control provisions.....	114.6

Total.....	\$864.1
	=====

In 1998, the Company increased its reserves for certain legal and environmental remediation issues as a result of management's emphasis to resolve and settle certain issues relating primarily to WM Holdings, including a class action securities litigation against WM Holdings.

Certain WM Holdings' employee stock option plans included change of control provisions that were activated as a result of the WM Holdings Merger whereby the option holder received certain put rights that require charges to earnings through the put periods. The charge to pre-tax earnings as a result of these put rights was \$114,600,000 in the third quarter of 1998. To the extent the future market value of the Company's common stock exceeds \$54.34 per share, the Company will be required to record additional charges to earnings through July 16, 1999, at which time all put rights expire. The expense related to these stock option put rights has no impact to equity as the offset is a direct increase to additional paid-in capital, as these put rights will be satisfied by the issuance of stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following is a summary of asset impairments and unusual items reflected in the Company's consolidated financial statements for the year ended December 31, 1997 (in millions):

Asset impairments:

Landfills, related primarily to management decisions to abandon expansions and development projects due to political or competitive factors, which will result in closure earlier than previously expected (includes \$233.8 for hazardous waste sites).....	\$ 592.9
Hazardous waste facilities, resulting from continuing market deterioration, increased competition, excess capacity and changing regulation.....	131.4
Goodwill, primarily related to landfills and hazardous waste facilities impaired (including \$411.0 related to hazardous waste business).....	433.4
Write-down of WTI long-lived assets, including \$47.1 related to a wood waste burning independent power production facility.....	57.2
Recycling investments, related primarily to continued pricing, overcapacity and competitive factors.....	21.5
Write-down to estimated net realizable value of trucks to be sold as a result of new fleet management policy (Note 4).....	70.9
Write-down to estimated net sales proceeds of businesses to be sold (Note 18).....	122.2
Abandoned equipment and facilities.....	37.3
Surplus real estate.....	38.2
Provisions for losses on contractual commitments.....	120.2
Severance for terminated employees.....	41.6
Special charge for WM International, primarily costs of demobilization in Argentina following the expiration of the City of Buenos Aires contract, divestiture or closure of underperforming businesses (primarily in Italy and Germany) and abandonment of projects (primarily in Germany).....	104.3
Total.....	<u>\$1,771.1</u> =====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following is a summary of asset impairments and unusual items reflected in the Company's consolidated financial statements for the year ended December 31, 1996 (in millions):

Asset impairments:

Landfills, related primarily to management decisions to abandon expansion projects due to political or competitive factors, which will result in closure earlier than previously expected.....	\$ 20.4
Recycling investments, related primarily to pricing, overcapacity and competitive factors.....	47.8
Other, primarily equipment to be scrapped.....	2.0
Surplus real estate.....	1.5
Write-down to estimated net sales proceeds of businesses to be sold.....	28.9
Reserves for certain litigation and for reengineering of finance and administrative functions.....	154.1
Provisions for losses on contractual commitments.....	53.6
Western retirement benefits.....	4.8
Special charge for WM International:	
Loss on sale of investment in Wessex Water Plc.....	47.1
Revaluation of investments in France, Austria, and Spain in contemplation of exiting all or part of these markets or forming joint ventures and write-off of a hazardous waste disposal facility in Germany with volumes adversely affected by regulatory changes.....	169.6

Total.....	\$ 529.8
	=====

15. EARNINGS PER SHARE

The following reconciles the number of common shares outstanding at December 31 of each year to the weighted average number of common shares outstanding and the weighted average number of common and dilutive potential common shares outstanding for the purposes of calculating basic and dilutive earnings per common share, respectively (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	-----	-----	-----
Number of common shares outstanding.....	600,351	556,546	541,071
Effect of using weighted average common shares outstanding.....	(16,050)	1,129	(3,802)
	-----	-----	-----
Weighted average number of common shares outstanding.....	584,301	557,675	537,269
Dilutive effect of common stock options and warrants.....	--	--	9,647
	-----	-----	-----
Weighted average number of common and dilutive potential common shares outstanding.....	584,301	557,675	546,916
	=====	=====	=====

Diluted earnings per common share for the years ended December 31, 1998, 1997, and 1996 has been calculated excluding the effects of the Company's convertible subordinated notes and debentures as inclusion of such items would be anti-dilutive for these periods.

At December 31, 1998, there were approximately 73,600,000 common shares potentially issuable with respect to stock options, warrants, and convertible debt, which could dilute basic earnings per share in the future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

16. COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise from transactions and other events and circumstances from nonowner sources and includes all changes in equity except those resulting from investments by owners and distributions to owners. The components of accumulated other comprehensive income are as follows for the periods indicated (in thousands):

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	MINIMUM PENSION LIABILITY ADJUSTMENT	ACCUMULATED OTHER COMPREHENSIVE INCOME
	-----	-----	-----
Balance, December 31, 1996.....	\$ (95,056)	\$(18,885)	\$(113,941)
Current-period change.....	(180,744)	11,492	(169,252)
	-----	-----	-----
Balance, December 31, 1997.....	(275,800)	(7,393)	(283,193)
Current-period change.....	(77,842)	(59,769)	(137,611)
	-----	-----	-----
Balance, December 31, 1998.....	\$(353,642)	\$(67,162)	\$(420,804)
	=====	=====	=====

17. COMMITMENTS AND CONTINGENCIES

Operating leases -- The Company leases many of its operating and office facilities for various terms. Lease expense aggregated \$194,846,000, \$189,873,600, and \$186,270,000 during 1998, 1997 and 1996, respectively. These amounts include rents under long-term leases, short-term cancelable leases and rents charged as a percentage of revenue, but are exclusive of financing leases capitalized for accounting purposes.

The long-term rental obligations as of December 31, 1998, are due as follows (in thousands):

First year.....	\$ 142,397
Second year.....	133,069
Third year.....	127,206
Fourth year.....	155,341
Fifth year.....	104,568
Sixth through tenth years.....	431,114
Eleventh year and thereafter.....	143,004

	\$1,236,699
	=====

Financial instruments -- Letters of credit, performance bonds and other guarantees have been provided by the Company supporting tax-exempt bonds, performance of final landfill closure and post-closure requirements, insurance contracts, and other contracts. Total letters of credit, performance bonds, insurance policies, and other guarantees outstanding at December 31, 1998, aggregated approximately \$3,940,719,000. The insurance policies are issued by a wholly-owned insurance company subsidiary, the sole business of which is to issue such policies to customers of the Company and its subsidiaries. Because virtually no claims have been made against these financial instruments in the past, management does not expect these instruments will have a material effect on the Company's consolidated financial statements.

In the normal course of business, the Company is a party to financial instruments with off-balance sheet risk, such as bank letters of credit, performance bonds and other guarantees, which are not reflected in the consolidated balance sheets. Such financial instruments are to be valued based on the amount of exposure under the instrument and the likelihood of performance being required. In the Company's experience, virtually no claims have been made against those financial instruments. Management does not expect any material losses to result from these off-balance sheet instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Environmental matters -- The continuing business in which the Company is engaged is intrinsically connected with the protection of the environment. As such, a significant portion of the Company's operating costs and capital expenditures could be characterized as costs of environmental protection. Such costs may increase in the future as a result of legislation or regulation, however, the Company believes that in general it tends to benefit when environmental regulation increases, which may increase the demand for its services, and that it has the resources and experience to manage environmental risk.

As part of its ongoing operations, the Company provides for estimated final closure and post-closure monitoring costs over the estimated operating life of disposal sites as airspace is consumed. The Company has also established procedures to evaluate potential remedial liabilities at closed sites which it owns or operated or to which it transported, waste including 88 sites listed on the NPL as of December 31, 1998. Where the Company concludes that it is probable that a liability has been incurred, provision is made in the financial statements.

Estimates of the extent of the Company's degree of responsibility for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions and are inherently difficult, and the ultimate outcome may differ from current estimates. However, the Company believes that its extensive experience in the environmental services industry, as well as its involvement with a large number of sites, provides a reasonable basis for estimating its aggregate liability. As additional information becomes available, estimates are adjusted as necessary. While the Company does not anticipate that any such adjustment would be material to its financial statements, it is reasonably possible that technological, regulatory or enforcement developments, the results of environmental studies, the existence and ability of other potentially responsible third parties to contribute to the settlements of such liabilities, or other factors could necessitate the recording of additional liabilities which could be material.

Litigation -- In November and December 1997, several alleged purchasers of WM Holdings securities (including but not limited to WM Holdings common stock), who allegedly bought their securities between 1996 and 1997, brought 14 purported class action lawsuits against WM Holdings and several of its former officers in the United States District Court for the Northern District of Illinois. Each of these lawsuits asserted that the defendants violated the federal securities laws by issuing allegedly false and misleading statements in 1996 and 1997 about WM Holdings' financial condition and results of operations. Among other things, the plaintiffs alleged that WM Holdings employed accounting practices that were improper and that caused its publicly filed financial statements to be materially false and misleading. The lawsuits demanded, among other relief, unspecified compensatory damages, pre- and post-judgment interest, attorneys' fees, and the costs of conducting the litigation. In January 1998, the 14 putative class actions were consolidated before one judge. On May 29, 1998, the plaintiffs filed a consolidated amended complaint against WM Holdings and four of its former officers. The consolidated amended complaint seeks recovery on behalf of a proposed class of all purchasers of WM Holdings securities between May 29, 1995, and October 30, 1997. The consolidated amended complaint alleges, among other things, that WM Holdings filed false and misleading financial statements beginning in 1991 and continuing through October 1997 and seeks recovery for alleged violations of the federal securities laws between May 1995 and October 1997. In December 1998, the Company announced an agreement to settle the consolidated action against all defendants and the establishment of a settlement fund of \$220,000,000 for the class of open market purchasers of WM Holdings equity securities between November 3, 1994, and February 24, 1998. The settlement agreement with the plaintiffs is subject to various conditions, including preliminary approval by the Court, notice to the class and final approval by the Court after a hearing. There can be no assurances that the Court will find the settlement to be fair to the class or that, because members of the class may opt out of the lawsuit, WM Holdings will not be a party to additional lawsuits or claims brought by individuals.

The Company is aware of another action arising out of the same set of facts alleging a cause of action under Illinois state law. Additionally, there are several other actions and claims arising out of the same set of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

facts, including one purported class action brought by business owners who received WM Holdings shares in the sales of their businesses to WM Holdings that alleges breach of contract causes of action on the basis of allegedly false representation and warranties. A purported derivative action has also been filed by an alleged former shareholder of WM Holdings against certain former officers and directors of WM Holdings and nominally against WM Holdings to recover damages caused to WM Holdings as a result of the matter described in this paragraph. It is not possible at this time to predict the impact this litigation may have on WM Holdings or the Company nor is it possible to predict whether any other suits or claims arising out of these matters may be brought in the future. However, it is reasonably possible that the outcome of any present or future litigation may have a material adverse impact on their respective financial condition or results of operations in one or more future periods. WM Holdings intends to defend itself vigorously in the litigation.

The Company is also aware that the Securities and Exchange Commission has commenced a formal investigation with respect to the WM Holdings previously filed financial statements (which were subsequently restated) and related accounting policies, procedures and system of internal controls. The Company intends to cooperate with such investigation. The Company is unable to predict the outcome or impact of this investigation at this time.

On March 12, 1998, a stockholder of WM Holdings filed a purported class action suit in the Chancery Court of the State of Delaware in the New Castle County against WM Holdings and certain of its former directors. The complaint alleges, among other things, that (i) the Merger was the product of unfair dealing and the price paid to members of the purported class for their WM Holdings common stock was unfair and inadequate, (ii) the WM Holdings Merger will prevent members of the purported class from receiving their fair portion of the value of WM Holdings' assets and business and from obtaining the real value of their equity ownership of WM Holdings, (iii) defendants breached their fiduciary duties owed to the members of the purported class by putting their personal interests ahead of the interests of WM Holdings' public stockholders and (iv) the members of the class action will suffer irreparable damage unless the defendants are enjoined from breaching their fiduciary duties. The complaint seeks equitable relief that would rescind the WM Holdings Merger and monetary damages from the defendants for unlawfully gained profits and special benefits. The Company believes the suit to be without merit and intends to contest it vigorously.

In the ordinary course of conducting its business activities, the Company becomes involved in judicial and administrative proceedings involving governmental authorities at the foreign, federal, state and local level, including, in certain instances, proceedings instituted by citizens or local governmental authorities seeking to overturn governmental action where governmental officials or agencies are named as defendants together with the Company or one or more of its subsidiaries, or both. In the majority of the situations where proceedings are commenced by governmental authorities, the matters involved relate to alleged technical violations of licenses or permits pursuant to which the Company operates or is seeking to operate or laws or regulations to which its operations are subject or are the result of different interpretations of the applicable requirements. From time to time, the Company pays fines or penalties in environmental proceedings relating primarily to waste treatment, storage or disposal facilities. The Company believes that these matters will not have a material adverse effect on its results of operations or financial condition. However, the outcome of any particular proceeding cannot be predicted with certainty, and the possibility remains that technological, regulatory or enforcement developments, the results of environmental studies or other factors could materially alter this expectation at any time.

From time to time, the Company and certain of its subsidiaries are named as defendants in personal injury and property damage lawsuits, including purported class actions, on the basis of a Company subsidiary's having owned, operated or transported waste to a disposal facility which is alleged to have contaminated the environment or, in certain cases, conducted environmental remediation activities at sites. Some of such lawsuits may seek to have the Company or its subsidiaries pay the costs of groundwater monitoring and health care examinations of allegedly affected persons for a substantial period of time even where no actual damage is

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

proven. While the Company believes it has meritorious defenses to these lawsuits, their ultimate resolution is often substantially uncertain due to the difficulty of determining the cause, extent and impact of alleged contamination (which may have occurred over a long period of time), the potential for successive groups of complainants to emerge, the diversity of the individual plaintiffs' circumstances, and the potential contribution or indemnification obligations of co-defendants or other third parties, among other factors. Accordingly, it is possible such matters could have a material adverse impact on the Company's consolidated financial statements.

The Company has been advised by the U.S. Department of Justice that Laurel Ridge Landfill, Inc., a wholly-owned subsidiary of the Company as a result of the Company's acquisition of United, is a target of a federal investigation relating to alleged violations of the Clean Water Act at the Laurel Ridge Landfill in Kentucky. The investigation relates to a period prior to the Company's acquisition of United in August 1997. The Company is attempting to negotiate a resolution with the government which may include a guilty plea to a criminal misdemeanor, a fine and in-kind services. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial statements.

In June 1996, an indictment was brought against All-Waste Systems, Inc. ("All-Waste"), an indirect subsidiary of the Company acquired in December 1998 in connection with the Eastern Merger, thirteen other corporations and seven individuals in the Southern District of New York. In September 1997 nineteen of the defendants entered guilty pleas and collectively agreed to pay \$17,000,000 in restitution to the IRS and Westchester County, fines and civil forfeitures. All-Waste pled guilty to mail fraud, which arose out of an alleged bid-rigging scheme for the Town of New Windsor, paid an \$85,000 fine and was sentenced to a five year probation period. The probation period was terminated upon the closing of the sale of All-Waste to Eastern in June 1998.

In March 1999, the Company was notified that All-Waste and two other indirect subsidiaries acquired in the Eastern Merger as well as a current employee of the Company were suspended from future contracting with any agency in the executive branch of the U.S. Government pending proceedings. The suspension and potential debarment are based on the September 1997 conviction of All-Waste and activities that occurred prior to ownership of the entities by Eastern. The Company is attempting to remove the three entities from the suspension and proposed debarment list. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial statements.

In February 1999, a San Bernardino County, California grand jury returned an amended felony indictment against the Company, certain of its subsidiaries and their current or former employees, and a County employee. The proceeding is based on events that allegedly occurred prior to the WM Holdings Merger in connection with a WM Holdings landfill development project. The indictment includes allegations that certain of the defendants engaged in conduct involving fraud, wiretapping, theft of a trade secret and manipulation of computer data, and that they engaged in a conspiracy to do so. If convicted, the most serious of the available sanctions against the corporate defendants would include substantial fines and forfeitures. The Company believes that meritorious defenses exist to each of the allegations, and the defendants are vigorously contesting them. The Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's consolidated financial statements.

The Company has brought suit against a substantial number of insurance carriers in an action entitled Waste Management, Inc. et al. v. The Admiral Insurance Company, et al. pending in the Superior Court in Hudson County, New Jersey. In this action the Company is seeking a declaratory judgment that environmental liabilities asserted against the Company or its subsidiaries, or that may be asserted in the future, are covered by insurance policies purchased by the Company or its subsidiaries. The Company is also seeking to recover defense costs and other damages incurred as a result of the assertion of environmental liabilities against the Company or its subsidiaries for events occurring over at least the last 25 years at approximately 140 sites and the defendant insurance carriers' denial of coverage of such liabilities. While the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company has reached settlements with some of the carriers, the remaining defendants have denied liability to the Company and have asserted various defenses, including that environmental liabilities of the type for which the Company is seeking relief are not risks covered by the insurance policies in question. The remaining defendants are contesting these claims vigorously. Discovery is nearly complete as to the 12 sites in the first phase of the case and discovery is expected to continue for several years as to the remaining sites. Currently, trial dates have not been set. The Company is unable at this time to predict the outcome of this proceeding. No amounts have been recognized in the Company's consolidated financial statements for potential recoveries. See Note 6.

Several purported class action lawsuits and one purported derivative lawsuit seeking injunctive relief and unspecified money damages were filed in the Chancery Court in and for New Castle County, Delaware against the Company, WTI, and individual directors of WTI in connection with the June 20, 1997, proposal by WM Holdings to acquire all of the shares of WTI common stock which WM Holdings did not own. WM Holdings subsequently consummated a merger in which WTI's stockholders received \$16.50 in cash per share of WTI's common stock. The lawsuits, which have since been consolidated into a single action, allege, among other things, that the defendants breached fiduciary duties to WTI's minority stockholders because the merger consideration contemplated by the proposal was inadequate and unfair. The Company believes that the defendants' actions in connection with the proposal were in accordance with Delaware law and, on that basis, has agreed to a settlement providing for the dismissal of all of the lawsuits against all defendants. The settlement agreement with the plaintiffs is subject to various conditions, including notice to the putative class and approval by the Court after a hearing.

The Company and certain of its subsidiaries are also currently involved in other civil litigation and governmental proceedings relating to the conduct of their business. While the outcome of any particular lawsuit or governmental investigation cannot be predicted with certainty, the Company believes that these matters will not have a material adverse effect on its consolidated financial statements.

Tax Matters -- During the first quarter of 1995, WMI Sellbergs AB, a Swedish subsidiary, received an assessment from the Swedish Tax Authority of approximately 417,000,000 Krona (approximately \$52,000,000) plus interest from the date of the assessment, relating to a transaction completed in 1990. On November 4, 1998, the County Court of the County of Stockholm ruled in favor of WMI Sellbergs AB. However, the Swedish Tax Authority has appealed that decision. The Company believes that all appropriate tax returns and disclosures were properly filed at the time of the transaction and intends to vigorously contest the appeal.

Insurance -- The Company carries a broad range of insurance coverages, which management considers prudent for the protection of the Company's assets and operations. Some of these coverages are subject to varying retentions of risk by the Company. The casualty policies provide for \$2,000,000 per occurrence coverage for primary commercial general liability and \$1,000,000 per accident coverage primary automobile liability (including coverage for pollution exposure arising out of trucking operations) supported by \$400,000,000 in umbrella insurance protection. The property policy provides insurance coverage for all of the Company's real and personal property on a replacement cost basis, including California earthquake perils. The Company also carries \$200,000,000 in aircraft liability protection.

The Company maintains workers' compensation insurance in accordance with laws of the various states and countries in which it has employees. The Company also currently has an environmental impairment liability ("EIL") insurance policy for certain of its landfills, transfer stations, and recycling facilities that provides coverage for property damages and/or bodily injuries to third parties caused by off-site pollution emanating from such landfills, transfer stations, or recycling facilities. At December 31, 1998, this policy provides \$10,000,000 of coverage per loss with a \$20,000,000 aggregate limit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Through the date of the WM Holdings Merger, certain of WM Holdings' auto, general liability, environmental impairment liability, and workers' compensation risks were self-insured up to \$5,000,000 per accident. For such programs, a provision was made in each accounting period for estimated losses, including losses incurred but not reported, and the related reserves are adjusted as additional claim information becomes available. Claim reserves are discounted at 5.5% and 6% at December 31, 1998 and 1997, respectively. The self-insurance reserve included in the accompanying consolidated balance sheets is \$277,400,000 and \$226,700,000 at December 31, 1998 and 1997, respectively.

To date, the Company has not experienced any difficulty in obtaining insurance. However, if the Company in the future is unable to obtain adequate insurance, or decides to operate without insurance, a partially or completely uninsured claim against the Company, if successful and of sufficient magnitude, could have a material adverse effect on the Company's financial condition, results of operations or cash flows. Additionally, continued availability of casualty and EIL insurance with sufficient limits at acceptable terms is an important aspect of obtaining revenue-producing waste service contracts.

18. ASSETS AND OPERATIONS HELD FOR SALE

Assets Held for Sale

The Company is disposing of certain assets to comply with governmental orders related to the WM Holdings Merger and Eastern Merger and certain other assets as a result of implementing the business strategy related to the WM Holdings Merger. These businesses' results of operations are fully included in revenues and expenses in the accompanying statements of operations, and generated third party operating revenues of approximately \$372,596,000 and earnings before interest and taxes of approximately \$20,600,000 in 1998. In addition, as a result of the WM Holdings Merger, various real estate became duplicative and surplus, and will be sold. As discussed in Notes 3 and 14, the Company has recorded charges to write down these assets to fair value, less costs to sell. These charges are based on estimates and certain contingencies that could materially differ from actual results and resolution of any such contingencies.

Operations Held for Sale

In the fourth quarter of 1995, the Company approved a plan to sell or otherwise discontinue the process engineering, construction, specialty contracting and similar lines of business of Rust International, Inc. ("Rust"), a subsidiary owned 60% by WM Holdings and 40% by WTI. At December 31, 1996, management also classified as discontinued and planned to sell Rust's domestic environmental and infrastructure engineering and consulting business and Chemical Waste Management, Inc.'s ("CWM") high organic waste fuel blending services business. Also, WTI classified certain of its water process systems and equipment manufacturing businesses (sold in 1996) and its water and wastewater facility operations and privatization business (sold in 1997) as discontinued businesses in 1996. Operating revenues from the discontinued business were \$84,800,000 in 1997, and \$734,500,000 in 1996. Results of their operations in 1997 were included in the reserve for loss on disposition provided previously, and such results were not material.

In 1997, management reclassified the CWM business back into continuing operations, and classified certain of its sites as operations held for sale. The Rust dispositions were not completed within one year, and accordingly, this business was reclassified back into continuing operations held for sale, at December 31, 1997, though management continued its efforts to market these businesses. Because these business were reclassified to continuing operations, the remaining provision for loss on disposal (\$95,000,000 after tax -- \$87,000,000 related to Rust and \$8,000,000 related to CWM) was reversed in discontinued operations and an impairment loss for Rust of \$122,200,000 was recorded in continuing operations in the fourth quarter of 1997. Prior year financial statements were restated. The majority of these assets were sold during the second and third quarters of 1998, respectively, for amounts approximately equal to their recorded net book values. Information

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

regarding the businesses presented in the consolidated statement of operations as net assets of continuing operations held for sale is as follows (in thousands):

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Operating revenues.....	\$238,108	\$350,400	\$361,500
Income (loss) before tax after minority interest.....	(151)	(9,930)	315
Net income (loss).....	(376)	(6,700)	100

The remaining assets and liabilities of these businesses were not material at December 31, 1998. At December 31, 1997, related amounts are included in net assets of continuing operations held for sale (long-term) in the accompanying consolidated balance sheets, and consists of the following (including 73,300,000 of surplus real estate) (in thousands):

Current assets.....	\$ 118,600
Land, property and equipment and other noncurrent assets.....	238,000
Current liabilities.....	(41,000)
Noncurrent liabilities.....	(161,216)
Net assets of continuing operations held for sale.....	\$ 154,384

19. SELECTED QUARTERLY FINANCIAL DATA, UNAUDITED

The following table summarizes the unaudited consolidated quarterly results of operations for 1998 and 1997 (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1998				
Operating revenues.....	\$2,969,433	\$3,250,731	\$3,244,201	\$3,239,104
Operating income(loss).....	452,248	569,247	(1,545,744)	363,860
Income (loss) from continuing operations.....	181,416	246,770	(1,258,473)	63,485
Net income (loss).....	181,416	242,870	(1,258,473)	63,485
Earnings (loss) from continuing operations per common share:				
Basic.....	0.32	0.43	(2.11)	0.11
Diluted.....	0.31	0.42	(2.11)	0.10
Earnings (loss) per common share:				
Basic.....	0.32	0.42	(2.11)	0.11
Diluted.....	0.31	0.41	(2.11)	0.10
1997				
Operating revenues.....	\$2,699,541	\$3,031,015	\$3,154,383	\$3,087,559
Operating income(loss).....	337,229	471,707	284,836	(1,327,681)
Income (loss) from continuing operations.....	170,419	137,117	56,511	(1,389,885)
Net income (loss).....	171,066	144,678	50,422	(1,305,061)
Earnings (loss) from continuing operations per common share:				
Basic.....	0.31	0.25	0.10	(2.50)
Diluted.....	0.30	0.24	0.10	(2.50)
Earnings (loss) per common share:				
Basic.....	0.31	0.26	0.09	(2.34)
Diluted.....	0.30	0.25	0.09	(2.34)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Basic and diluted earnings per common share for each of the quarters presented above is based on the respective weighted average number of common and dilutive potential common shares outstanding for each period and the sum of the quarters may not necessarily be equal to the full year basic and diluted earnings per common share amounts.

Amounts presented above are restated for certain pooling of interests transactions as discussed in Note 3, and are different from amounts originally reported. The results of operations for 1998 and 1997 include certain charges for merger costs, asset impairments and unusual items, as disclosed in Notes 3 and 14. In 1998, such charges were \$7,602,000, \$7,361,000, \$2,231,116,000, and \$425,229,000 in the first, second, third, and fourth quarters, respectively. Such items charged to expense in the first, second, third and fourth quarters of 1997 were \$27,660,000, \$52,922,000, \$158,113,000 and \$1,645,198,000, respectively.

20. SUBSEQUENT EVENTS

Financing Transactions

In March 1999 the Company called its 5% convertible subordinated debentures (due March 1, 2006). These debentures were subsequently converted into shares of the Company's stock by the debentures holders. If the subordinated debenture conversion occurred on January 1, 1998, diluted earnings per share would have been increased by \$0.01 for 1998.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for its 1999 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1999 Proxy Statement"), and is incorporated herein by reference. Information concerning the executive officers of the Company is set forth above under "Executive Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the caption "Election of Directors -- Executive Compensation" in the 1999 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth under the caption "Election of Directors -- Beneficial Ownership of Waste Management Common Stock" in the 1999 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth under the caption "Election of Directors -- Certain Relationships and Related Transactions" in the 1999 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14. FINANCIAL STATEMENT SCHEDULES, EXHIBITS, AND REPORTS ON FORM 8-K.

(a)(1) Consolidated Financial Statements:

Report of Independent Public Accountants

Report of Independent Accountants

Consolidated Balance Sheets as of December 31, 1998 and 1997

Consolidated Statements of Operations for the years ended December 31, 1998, 1997, and 1996

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1997, and 1996

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997, and 1996

Consolidated Statements of Comprehensive Income

Notes to Consolidated Financial Statements

(a)(2) Consolidated Financial Statement Schedules:

Schedule II -- Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is not significant or is included in the financial statements or notes thereto, or is not applicable.

(a)(3) Exhibits:

EXHIBIT NO.* -----	DESCRIPTION -----
2.1	-- Agreement and Plan of Merger, dated as of June 22, 1996, by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.2	-- Amendment No. 1, dated as of July 18, 1996, to Agreement and Plan of Merger, by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.3	-- Agreement and Plan of Merger, dated as of April 13, 1997, by and among the Registrant, Riviera Acquisition Corporation and United Waste Systems, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-31979].
2.4	-- Agreement and Plan of Merger, dated March 10, 1998, by and among the Registrant, Dome Merger Subsidiary, Inc. and Waste Management, Inc. [Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K dated March 10, 1998].
2.5	-- Agreement and Plan of Merger, dated as of February 16, 1998, by and among the Registrant, C&S Ohio Corp. and American Waste Services, Inc. [Incorporated by reference to Exhibit 10.70 to American Waste Services' Current Report on Form 8-K, dated February 6, 1998].
2.6	-- Agreement and Plan of Merger, dated as of August 16, 1998, by and among the Registrant, Ocho Acquisition Corporation and Eastern Environmental Services, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No 333-64239].

EXHIBIT NO. * -----	DESCRIPTION -----
2.7	-- Scheme of Arrangement between Waste Management International plc and the Holders of the Scheme Shares dated September 7, 1998 [Incorporated by reference to the Registrant's Schedule 13E-3 Transaction Statement dated September 7, 1998]
2.8	-- Agreement and Plan of Merger by and among the Registrant, TransAmerican Acquisition Corp., and TransAmerican Waste Industries, Inc. dated January 1998 [Incorporated by reference to the Registrant's Registration Statement on Form S-4, File No. 333-49253]
2.9	-- Agreement and Plan of Merger by and among Waste Management, Inc., WMI Merger Sub, Inc. and Wheelabrator Technologies Inc. dated December 8, 1997 [Incorporated by reference to Exhibit A of WTI's Proxy Statement on Schedule 14A filed on March 3, 1998]
3.1	-- Restated Certificate of Incorporation, as amended [Incorporated by reference to Exhibit 3.2 of the Registrant's current Report on Form 8-K dated July 16, 1998].
3.2	-- Bylaws [Incorporated by reference to Exhibit 3.2 to the Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-4, File No. 33-60103].
4.1	-- Specimen Stock Certificate.
4.2	-- Indenture for Subordinated Debt Securities dated February 1, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated February 7, 1997].
4.3	-- Supplemental Indenture, dated as of August 26, 1997, among the Registrant, United Waste Systems, Inc. and Bankers Trust Company relating to United Waste Systems, Inc.'s 4 1/2% Convertible Subordinated Notes due June 1, 2001 [Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K dated August 26, 1997].
4.4	-- Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated September 10, 1997].
10.1	-- 1990 Stock Option Plan [Incorporated by reference to Exhibit 10.1 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990].
10.2	-- Conformed copy of 1993 Stock Incentive Plan, as amended and restated.
10.3	-- Conformed copy of 1996 Stock Option Plan for Non-Employee Directors, as amended.
10.4	-- Envirofil, Inc. 1993 Stock Incentive Plan [Incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-8, File No. 33-84990].
10.5	-- Western Waste Industries Amended and Restated 1983 Incentive Stock Option Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.6	-- Western Waste Industries 1983 Non-Qualified Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.7	-- Western Waste Industries 1992 Option Plan [Incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].

EXHIBIT NO. *	DESCRIPTION
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10.8	-- Sanifill, Inc. 1994 Long-Term Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.9	-- Sanifill, Inc. 1989 Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.10	-- Waste Management, Inc. 1997 Equity Incentive Plan [Incorporated by reference to Exhibit A to Waste Management Holdings' Proxy Statement for its 1997 Annual Meeting of Shareholders].
10.11	-- WMX Technologies, Inc. 1996 Replacement Stock Option Plan [Incorporated by reference to Exhibit 4.13 to Waste Management Holdings' Registration Statement on Form S-8, File No. 333-01325].
10.12	-- WMX Technologies, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.31 to Waste Management Holdings' Registration Statement on Form S-1, File No. 33-44849].
10.13	-- WMX Technologies, Inc. 1992 Stock Option Plan for Non-Employee Directors [Incorporated by reference to Exhibit 10.23 to Waste Management Holdings' 1996 Annual Report on Form 10-K].
10.14	-- Waste Management, Inc. 1982 Stock Option Plan, as amended to March 11, 1988 [Incorporated by reference to Exhibit 10.3 to Waste Management Holdings' 1988 Annual Report on Form 10-K].
10.15	-- Wheelabrator Technologies Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.45 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.16	-- Wheelabrator Technologies Inc. 1988 Stock Plan for Executive Employees of WTI and its Subsidiaries [Incorporated by reference to Exhibit 28.1 to Amendment No. 1 to the Registration Statement of Wheelabrator Technologies Inc. on Form S-8, File No. 33-31523].
10.17	-- Chemical Waste Management, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.19 to the 1991 Annual Report on Form 10-K of Chemical Waste Management, Inc.].
10.18	-- 1991 Stock Option Plan for Non-Employee Directors of Wheelabrator Technologies, Inc. [Incorporated by reference to Exhibit 19.04 WTI's Quarterly Report for the quarterly period ended June 30, 1991].
10.19	-- Amendments dated as of September 7, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.20	-- Amendment dated as of November 1, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.04 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.21	-- Amendment dated as of November 1, 1990 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.03 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.22	-- Amendment dated as of December 6, 1991 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.01 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].

EXHIBIT NO. *	DESCRIPTION
-----	-----
10.23	-- Amendment dated as of December 6, 1991 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.24	-- 1997 Employee Stock Purchase Plan [Incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.25	-- 401(k) Restoration Plan [Incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.26	-- TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.27	-- TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.28	-- Eastern Environmental Services, Inc. 1997 Stock Option Plan [Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.29	-- Eastern Environmental Services, Inc. Amended and Restated 1996 Stock Option Plan [Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.30	-- Eastern Environmental Services, Inc. 1991 Stock Option Plan [Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.31	-- Form of Employment Agreement by and between the Registrant and its Executive Officers.
10.32	-- Second Amended and Restated Revolving Credit Agreement, dated as of July 16, 1998 among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 1998].
10.33	-- Loan Agreement dated as of July 16, 1998, among the Registrant, Bank of America National Trust and Savings Association, Chase Bank of Texas, N.A., Deutsche Bank AG, New York Branch, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 1998].
12.1	-- Computation of Ratio of Earnings to Fixed Charges.
21.1	-- Subsidiaries of the Registrant.
23.1	-- Consent of Arthur Andersen LLP.
23.2	-- Consent of PricewaterhouseCoopers LLP.
27	-- Financial Data Schedule.
27.1	-- Restated Financial Data Schedule.
27.2	-- Restated Financial Data Schedule.
27.3	-- Restated Financial Data Schedule.

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* In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the Registrant's file number under that Act is 1-12154. Waste Management Holdings' file number under the Exchange Act is 1-7327, Chemical Waste Management, Inc.'s file number is 1-9253 and Wheelabrator Technologies Inc.'s file number is 0-14246.

(b) Reports on Form 8-K:

During the last quarter of the period covered by this report, the Company filed a Current Report on Form 8-K dated October 8, 1998 to report the Company's public announcement reaffirming its earnings outlook for the second half of 1998 and for 1999.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WASTE MANAGEMENT, INC.

By: /s/ JOHN E. DRURY

John E. Drury,
Chief Executive Officer

Date: March 30, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ JOHN E. DRURY ----- John E. Drury	Chief Executive Officer and Director (Principal Executive Officer)	March 30, 1999
/s/ RODNEY R. PROTO ----- Rodney R. Proto	President, Chief Operating Officer and Director	March 30, 1999
/s/ EARL E. DEFRATES ----- Earl E. DeFrates	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 1999
/s/ BRUCE E. SNYDER ----- Bruce E. Snyder	Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 30, 1999
/s/ H. JESSE ARNELLE ----- H. Jesse Arnelle	Director	March 30, 1999
/s/ PASTORA SAN JUAN CAFFERTY ----- Pastora San Juan Cafferty	Director	March 30, 1999
/s/ RALPH F. COX ----- Ralph F. Cox	Director	March 30, 1999
/s/ RICHARD J. HECKMANN ----- Richard J. Heckmann	Director	March 30, 1999
/s/ RODERICK M. HILLS ----- Roderick M. Hills	Director	March 30, 1999

SIGNATURE

TITLE

DATE

/s/ RICHARD D. KINDER

Director

March 30, 1999

Richard D. Kinder

/s/ ROBERT S. MILLER

Non-Executive Chairman of the
Board and Director

March 30, 1999

Robert S. Miller

/s/ PAUL M. MONTRONE

Director

March 30, 1999

Paul M. Montrone

/s/ JOHN C. POPE

Director

March 30, 1999

John C. Pope

/s/ STEVEN G. ROTHMEIER

Director

March 30, 1999

Steven G. Rothmeier

/s/ RALPH V. WHITWORTH

Director

March 30, 1999

Ralph V. Whitworth

/s/ JEROME B. YORK

Director

March 30, 1999

Jerome B. York

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited in accordance with generally accepted auditing standards, the financial statements of Waste Management, Inc. and Subsidiaries included in this Annual Report on Form 10-K and have issued our report thereon dated February 25, 1999, in which we expressed an unqualified opinion based upon our audits and the report of other auditors. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. Schedule II has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Houston, Texas
February 25, 1999

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WASTE MANAGEMENT, INC.

CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

(IN THOUSANDS)

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

	BALANCE BEGINNING OF YEAR	CHARGED TO INCOME	ACCOUNTS WRITTEN OFF/ USE OF RESERVE	OTHER(A)	EFFECT OF FOREIGN CURRENCY TRANSLATION	BALANCE END OF YEAR
	-----	-----	-----	-----	-----	-----
1996 -- Reserve for doubtful accounts(B)(C).....	\$ 84,615	\$ 60,505	\$ (74,507)	\$6,294	\$ (245)	\$ 76,662
1997 -- Reserve for doubtful accounts(B)(C).....	76,662	69,592	(56,586)	7,336	(2,605)	94,399
1998 -- Reserve for doubtful accounts(B)(C).....	94,399	70,727	(51,657)	4,164	1,284	118,917
1996 -- Merger and restructuring accruals(D).....	28,936	106,600	(65,693)	--	--	69,843
1997 -- Merger and restructuring accruals(D).....	69,843	160,528	(109,039)	--	--	121,332
1998 -- Merger and restructuring accruals(D).....	121,332	675,200	(536,401)	--	1,106	261,237

(A) Reserves for doubtful accounts of business combinations accounted for as purchases.

(B) Includes reserves for doubtful long-term notes receivable.

(C) Excludes discontinued operations.

(D) Accruals are included in accrued liabilities and other liabilities. These accruals represent transaction or deal costs, employee severance, separation and transitional costs and restructuring charges.

INDEX TO EXHIBITS

EXHIBIT NO. *	DESCRIPTION
-----	-----
2.1	-- Agreement and Plan of Merger, dated as of June 22, 1996, by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.2	-- Amendment No. 1, dated as of July 18, 1996, to Agreement and Plan of Merger, by and among the Registrant, Quatro Acquisition Corp. and Sanifill, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No. 333-08161].
2.3	-- Agreement and Plan of Merger, dated as of April 13, 1997, by and among the Registrant, Riviera Acquisition Corporation and United Waste Systems, Inc. [Incorporated by reference to Appendix A in the Registrant's Registration Statement on Form S-4, File No. 333-31979].
2.4	-- Agreement and Plan of Merger, dated March 10, 1998, by and among the Registrant, Dome Merger Subsidiary, Inc. and Waste Management, Inc. [Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K dated March 10, 1998].
2.5	-- Agreement and Plan of Merger, dated as of February 16, 1998, by and among the Registrant, C&S Ohio Corp. and American Waste Services, Inc. [Incorporated by reference to Exhibit 10.70 to American Waste Services' Current Report on Form 8-K, dated February 6, 1998].
2.6	-- Agreement and Plan of Merger, dated as of August 16, 1998, by and among the Registrant, Ocho Acquisition Corporation and Eastern Environmental Services, Inc. [Incorporated by reference to Annex A in the Registrant's Registration Statement on Form S-4, File No 333-64239].
2.7	-- Scheme of Arrangement between Waste Management International plc and the Holders of the Scheme Shares dated September 7, 1998 [Incorporated by reference to the Registrant's Schedule 13E-3 Transaction Statement dated September 7, 1998]
2.8	-- Agreement and Plan of Merger by and among the Registrant, TransAmerican Acquisition Corp., and TransAmerican Waste Industries, Inc. dated January 1998 [Incorporated by reference to the Registrant's Registration Statement on Form S-4, File No. 333-49253]
2.9	-- Agreement and Plan of Merger by and among Waste Management, Inc., WMI Merger Sub, Inc. and Wheelabrator Technologies Inc. dated December 8, 1997 [Incorporated by reference to Exhibit A of WTI's Proxy Statement on Schedule 14A filed on March 3, 1998]
3.1	-- Restated Certificate of Incorporation, as amended [Incorporated by reference to Exhibit 3.2 of the Registrant's current Report on Form 8-K dated July 16, 1998].
3.2	-- Bylaws [Incorporated by reference to Exhibit 3.2 to the Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-4, File No. 33-60103].
4.1	-- Specimen Stock Certificate.
4.2	-- Indenture for Subordinated Debt Securities dated February 1, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated February 7, 1997].

EXHIBIT NO. *	DESCRIPTION
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4.3	-- Supplemental Indenture, dated as of August 26, 1997, among the Registrant, United Waste Systems, Inc. and Bankers Trust Company relating to United Waste Systems, Inc.'s 4 1/2% Convertible Subordinated Notes due June 1, 2001 [Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K dated August 26, 1997].
4.4	-- Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and Texas Commerce Bank National Association, as trustee [Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated September 10, 1997].
10.1	-- 1990 Stock Option Plan [Incorporated by reference to Exhibit 10.1 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990].
10.2	-- Conformed copy of 1993 Stock Incentive Plan, as amended and restated.
10.3	-- Conformed copy of 1996 Stock Option Plan for Non-Employee Directors, as amended.
10.4	-- Envirofil, Inc. 1993 Stock Incentive Plan [Incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on form S-8, File No. 33-84990.
10.5	-- Western Waste Industries Amended and Restated 1983 Incentive Stock Option Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.6	-- Western Waste Industries 1983 Non-Qualified Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.7	-- Western Waste Industries 1992 Option Plan [Incorporated by reference to Exhibit 99.3 of the Registrant's Registration Statement on Form S-8, File No. 333-02181].
10.8	-- Sanifill, Inc. 1994 Long-Term Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.9	-- Sanifill, Inc. 1989 Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-08161].
10.10	-- Waste Management, Inc. 1997 Equity Incentive Plan [Incorporated by reference to Exhibit A to Waste Management Holdings' Proxy Statement for its 1997 Annual Meeting of Shareholders].
10.11	-- WMX Technologies, Inc. 1996 Replacement Stock Option Plan [Incorporated by reference to Exhibit 4.13 to Waste Management Holdings' Registration Statement on Form S-8, File No. 333-01325].
10.12	-- WMX Technologies, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.31 to Waste Management Holdings' Registration Statement on Form S-1, File No. 33-44849].
10.13	-- WMX Technologies, Inc. 1992 Stock Option Plan for Non-Employee Directors [Incorporated by reference to Exhibit 10.23 to Waste Management Holdings' 1996 Annual Report on Form 10-K].
10.14	-- Waste Management, Inc. 1982 Stock Option Plan, as amended to March 11, 1988 [Incorporated by reference to Exhibit 10.3 to Waste Management Holdings' 1988 Annual Report on Form 10-K].

EXHIBIT NO. *	DESCRIPTION
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10.15	-- Wheelabrator Technologies Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.45 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.16	-- Wheelabrator Technologies Inc. 1988 Stock Plan for Executive Employees of WTI and its Subsidiaries [Incorporated by reference to Exhibit 28.1 to Amendment No. 1 to the Registration Statement of Wheelabrator Technologies Inc. on Form S-8, File No. 33-31523].
10.17	-- Chemical Waste Management, Inc. 1992 Stock Option Plan [Incorporated by reference to Exhibit 10.19 to the 1991 Annual Report on Form 10-K of Chemical Waste Management, Inc.].
10.18	-- 1991 Stock Option Plan for Non-Employee Directors of Wheelabrator Technologies, Inc. [Incorporated by reference to Exhibit 19.04 WTI's Quarterly Report for the quarterly period ended June 30, 1991].
10.19	-- Amendments dated as of September 7, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.20	-- Amendment dated as of November 1, 1990 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.04 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.21	-- Amendment dated as of November 1, 1990 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.03 to the 1990 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.22	-- Amendment dated as of December 6, 1991 to the WTI 1986 Stock Plan [Incorporated by reference to Exhibit 19.01 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.23	-- Amendment dated as of December 6, 1991 to the WTI 1988 Stock Plan [Incorporated by reference to Exhibit 19.02 to the 1991 Annual Report on Form 10-K of Wheelabrator Technologies Inc.].
10.24	-- 1997 Employee Stock Purchase Plan [Incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.25	-- 401(k) Restoration Plan [Incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997].
10.26	-- TransAmerican Waste Industries, Inc. Amended and Restated 1990 Stock Incentive Plan [Incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.27	-- TransAmerican Waste Industries, Inc. 1997 Non-Employee Director Stock Option Plan [Incorporated by reference to Exhibit 99.2 of the Registrant's Registration Statement on Form S-8, File No. 333-51975].
10.28	-- Eastern Environmental Services, Inc. 1997 Stock Option Plan [Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.29	-- Eastern Environmental Services, Inc. Amended and Restated 1996 Stock Option Plan [Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].

EXHIBIT NO.* -----	DESCRIPTION -----
10.30	-- Eastern Environmental Services, Inc. 1991 Stock Option Plan [Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8, File No. 333-70055].
10.31	-- Form of Employment Agreement by and between the Registrant and its Executive Officers.
10.32	-- Second Amended and Restated Revolving Credit Agreement, dated as of July 16, 1998 among the Registrant, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 1998].
10.33	-- Loan Agreement dated as of July 16, 1998, among the Registrant, Bank of America National Trust and Savings Association, Chase Bank of Texas, N.A., Deutsche Bank AG, New York Branch, Morgan Guaranty Trust Company of New York and other financial institutions [Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 1998].
12.1	-- Computation of Ratio of Earnings to Fixed Charges.
21.1	-- Subsidiaries of the Registrant.
23.1	-- Consent of Arthur Andersen LLP.
23.2	-- Consent of PricewaterhouseCoopers LLP.
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* In the case of incorporation by reference to documents filed under the Securities Exchange Act of 1934, the Registrant's file number under that Act is 1-12154. Waste Management Holdings' file number under the Exchange Act is 1-7327, Chemical Waste Management, Inc.'s file number is 1-9253 and Wheelabrator Technologies Inc.'s file number is 0-14246.

EXHIBIT 4.1

057591

INCORPORATED UNDER THE LAWS
OF THE STATE OF DELAWARE

COMMON STOCK
PAR VALUE \$.01 PER SHARE

NUMBER
WM

[GRAPHIC]

SHARES

THIS CERTIFICATE IS TRANSFERABLE IN
CHICAGO, IL OR NEW YORK, NY

CUSIP 94106L 10 9

SEE REVERSE FOR CERTAIN DEFINITIONS

WASTE MANAGEMENT, INC.

THIS CERTIFIES THAT

IS THE OWNER OF

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK OF
CERTIFICATE OF STOCK

Waste Management, Inc. ("Corporation") transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be subject to all of the provisions of the Certificate of Incorporation of the Corporation and of the amendments therein, to all of which the holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

[SEAL]

/s/ [ILLEGIBLE]
CHIEF EXECUTIVE OFFICER

COUNTERSIGNED AND REGISTERED:
HARRIS TRUST AND SAVINGS BANK
TRANSFER AGENT
AND REGISTRAR

/s/ [ILLEGIBLE]
SECRETARY

BY /s/ [ILLEGIBLE]
AUTHORIZED SIGNATURE

[WASTE MANAGEMENT LOGO]

[WASTE MANAGEMENT, INC. LOGO]

The Corporation will furnish, without charge to each stockholder who so requests, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests may be made to the Corporation's Secretary at the principal office of the Corporation

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT MIN ACT -- _____ Custodian _____
TEN ENT -- as tenants by the entireties	(Cust) _____ (Minor) _____
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto:

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE
[_____]

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)

Shares
of the Stock represented by the within Certificate and do hereby irrevocably constitute and appoint _____, Attorney, to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated _____

X _____
(SIGNATURE)

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

X _____
(SIGNATURE)

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

SIGNATURE(S) GUARANTEED BY:

WASTE MANAGEMENT, INC.
1993 STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED)

JULY 6, 1998

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WASTE MANAGEMENT, INC.

1993 STOCK INCENTIVE PLAN

ARTICLE I. GENERAL

Section 1.1. Purpose. The purposes of this Stock Incentive Plan (the "Plan") are to: (1) closely associate the interests of the employees and consultants of Waste Management, Inc. and its Subsidiaries and Affiliates (collectively referred to as the "Company") with the shareholders to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its stockholders; (2) provide employees and consultants with a proprietary ownership interest in the Company commensurate with Company performance, as reflected in increased shareholder value; (3) maintain competitive compensation levels thereby attracting and retaining highly competent and talented employees and consultants; and (4) provide an incentive to employees and consultants for continuous employment with or services to the Company.

Section 1.2. Administration.

(a) The Plan shall be administered by a committee of non-employee directors appointed by the Board of Directors of the Company (the "Committee"), as constituted from time to time.

(b) The Committee shall have the authority, in its sole discretion and from time to time to:

(i) designate the employees and consultants or classes of employees of and consultants to the Company eligible to participate in the Plan;

(ii) grant awards ("Awards") provided in the Plan in such form and amount as the Committee shall determine;

(iii) impose such limitations, restrictions, and conditions, not inconsistent with this Plan, upon any such Award as the Committee shall deem appropriate; and

(iv) interpret the Plan and any agreement, instrument, or other document executed in connection with the Plan; adopt, amend, and rescind rules and regulations relating to the Plan; and make all other determinations and take all other action necessary or advisable for the implementation and administration of the Plan.

(c) Decisions and determinations of the Committee on all matters relating to the Plan shall be in its sole discretion and shall be final, conclusive, and binding upon all persons, including the Company, any participant, any stockholder of the Company, and any employee or consultant. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. No member of the Committee shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder.

Section 1.3. Eligibility for Participation. Participants in the Plan ("Participants") shall be selected by the Committee from the employees of and consultants to the Company who are responsible for or contribute to the management, growth, success and, profitability of the Company. In making this selection and in determining the form and amount of Awards, the Committee shall consider any factors deemed relevant, including the individual's functions, responsibilities, value of services to the Company, and past and potential contributions to the Company's profitability and growth.

Section 1.4 Types of Awards Under Plan. Awards under the Plan may be in the form of any one or more of the following:

- (i) Stock Options, as described in Article II;
- (ii) Incentive Stock Options, as described in Article III;
- (iii) Reload Options, as described in Article IV;
- (iv) Alternate Appreciation Rights, as described in

Article V;

- (v) Limited Rights, as described in Article VI;
- (vi) Alternate Stock Awards, as described in Article VII;

and/or

- (vii) Stock Bonus Awards, as described in Article VIII.

Awards under the Plan shall be evidenced by an Award Agreement between the Company and the recipient of the Award, in form and substance satisfactory to the Committee, and not inconsistent with this Plan.

Section 1.5. Aggregate Limitation on Awards.

(a) Shares of stock which may be issued under the Plan shall be authorized and unissued or treasury shares of Common Stock \$.01 par value, of the Company ("Common Stock"). Subject to the further provisions of this Section 1.5 and Section 9.10, the maximum number of shares of Common Stock which may be issued under the Plan shall be 26,500,000.

(b) For purposes of calculating the maximum number of shares of Common Stock that may be issued under the Plan:

(i) all the shares issued (including the shares, if any, withheld for tax withholding requirements) shall be counted when cash is used as full payment for shares issued upon exercise of a Stock Option, Incentive Stock Option, or Reload Option;

(ii) only the shares issued (including the shares, if any, withheld for tax withholding requirements) as a result of an exercise of Alternate Appreciation Rights shall be counted; and

(iii) only the net shares issued (including the shares, if any, withheld for tax withholding requirements) shall be counted when shares of Common Stock or another Award under the Plan are used or withheld as full or partial payment for shares issued upon exercise of a Stock Option, Incentive Stock Option, or Reload Option;

provided, however, in all events the maximum number of shares of Common Stock that may be issued pursuant to Incentive Stock Options is 26,500,000.

(c) In addition to shares of Common Stock actually issued pursuant to the exercise of Stock Options, Incentive Stock Options, Reload Options, or Alternate Appreciation Rights, there shall be deemed to have been issued a number of shares equal to the number of shares of Common Stock in respect of which Limited Rights (as described in Article VI) shall have been exercised.

(d) Shares tendered by a Participant or withheld as payment for shares issued upon exercise of a Stock Option, Incentive Stock Option, or Reload Option shall be available for issuance under the Plan. Any shares of Common Stock subject to a Stock Option, Incentive Stock Option, or Reload Option that for any reason is terminated unexercised or expires shall again be available for issuance under the Plan, but shares subject to a Stock Option, Incentive Stock Option, or Reload Option that are not issued as a result of the exercise of Limited Rights shall not again be available for issuance under the Plan.

(e) The maximum number of shares of Common Stock with respect to which any Participant may receive Awards in any calendar year is 1,500,000.

Section 1.6. Effective Date and Term of Plan.

(a) The Plan became effective on the date it was approved by the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote at the 1993 Annual Meeting of shareholders of the Company.

(b) No Awards shall be made under the Plan after the tenth anniversary of the effective date of this Plan; provided, however, that the Plan and all Awards made under the Plan prior to such date shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.

ARTICLE II. STOCK OPTIONS

Section 2.1. Award of Stock Options. The Committee may from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan one or more options to purchase the number of shares of Common Stock ("Stock Options") allotted by the Committee. The date a Stock Option is granted shall mean the date selected by the Committee as of which the Committee allots a specific number of shares to a Participant pursuant to the Plan.

Section 2.2. Stock Option Agreements. The grant of a Stock Option shall be evidenced by a written Award Agreement, executed by the Company and the holder of the Stock Option (the "Optionee"), stating the number of shares of Common Stock subject to the Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.

Section 2.3. Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of a Stock Option shall be an amount selected by the Committee and shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Stock Option is granted.

Section 2.4. Term and Exercise. A Stock Option shall not be exercisable prior to six months from the date of its grant unless a shorter period is provided by the Committee or by another Section of this Plan, and may be exercised during the period established by the Committee, but not after ten years from the date of grant thereof (the "Option Term"). No Stock Option shall be exercisable after the expiration of its Option Term.

Section 2.5. Manner of Payment. Each Award Agreement providing for Stock Options shall set forth the procedure governing the exercise of the Stock Option granted thereunder, and shall provide that, upon such exercise in respect of any shares of Common Stock subject thereto, the Optionee shall pay to the Company, in full, the Option Price for such shares with cash, which may be pursuant to a "cashless-broker" exercise pursuant to procedures established by the Committee from time to time, or with previously owned Common Stock, or at the discretion of the Committee, in whole or in part with, the surrender of another Award under the Plan, the withholding of shares of Common Stock issuable upon exercise of such Stock Option, other property, or any combination thereof (each based on the Fair Market Value of such Common Stock, Award or other property on the date the Stock Option is exercised as determined by the Committee).

Section 2.6. Delivery of Shares. As soon as practicable after receipt of payment, the Committee shall deliver to the Optionee a certificate or certificates for such shares of Common Stock. The Optionee shall become a shareholder of the Company with respect to Common Stock represented by share certificates so issued and as such shall be fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder.

Section 2.7. Death, Retirement and Termination of Employment of Optionee. Unless otherwise provided in an Award Agreement or otherwise agreed to by the Committee:

(a) Upon the death of the Optionee, any rights to the extent exercisable by the Optionee on the date of termination of employment or consulting, as the case may be, may be exercised by the Optionee's estate, or by a person who acquires the right to exercise such Stock Option by bequest or inheritance or by reason of the death of the Optionee, provided that such exercise occurs within both the remaining effective term of the Stock Option and one year after the Optionee's death. The provisions of this Section shall apply notwithstanding the fact that the Optionee's employment may have terminated prior to death.

(b) Upon termination of the Optionee's employment by reason of retirement or permanent disability (as each is determined by the Committee), the Optionee may, within 36 months from the date of termination, exercise any Stock Options to the extent such Stock Options are exercisable on the date of such termination of employment.

(c) Except as provided in Subsections (a) and (b) of this Section 2.7, or except as otherwise determined by the Committee, all Stock Options shall terminate three months after the date of the termination of the Optionee's employment or consulting, as the case may be, and shall be exercisable during such period only to the extent exercisable on the date of termination of employment or consulting.

Section 2.8. Tax Election. Recipients of Stock Options who are directors or executive officers of the Company or who own more than 10% of the Common Stock of the Company ("Section 16(a) Option Holders") at the time of exercise of a Stock Option may elect, in lieu of paying to the Company an amount required to be withheld under applicable tax laws in connection with the exercise of a Stock Option in whole or in part, to have the Company withhold shares of Common Stock having a fair market value equal to the amount required to be withheld. Such election may not be made prior to six months following the grant of the Stock Option, except in the event of a Section 16(a) Option Holders's death or disability. The election may be made at the time the Stock Option is exercised by notifying the Company of the election, specifying the amount of such withholding and the date on which the number of shares to be withheld is to be determined ("Tax Date"), which shall be either (i) the date the Stock Option is exercised or (ii) a date six months after the Stock Option was granted, if later. The number of shares of Common Stock to be withheld to satisfy the tax obligation shall be the amount

of such tax liability divided by the fair market value of the Common Stock on the Tax Date (or if not a business day, on the next closest business day). If the Tax Date is not the exercise date, the Company may issue the full number of shares of Common Stock to which the Section 16(a) Option Holders is entitled, and such option holder shall be obligated to tender to the Company on the Tax Date a number of such shares necessary to satisfy the withholding obligation. Certificates representing such shares of Common Stock shall bear a legend describing such Section 16(a) Option Holders obligation hereunder.

Section 2.9. Effect of Exercise. The exercise of any Stock Option shall cancel that number of related Alternate Appreciation Rights and/or Limited Rights, if any, that is equal to the number of shares of Common Stock purchased pursuant to said option unless otherwise agreed by the Committee in an Award Agreement or otherwise.

ARTICLE III. INCENTIVE STOCK OPTIONS

Section 3.1. Award of Incentive Stock Options. The Committee may, from time to time and subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, grant to any employee of The Company or a Subsidiary one or more "incentive stock options" (intended to qualify as such under the provisions of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") ("Incentive Stock Options") to purchase the number of shares of Common Stock allotted by the Committee. The date an Incentive Stock Option is granted shall mean the date selected by the Committee as of which the Committee allots a specific number of shares to a participant pursuant to the Plan.

Section 3.2. Incentive Stock Option Agreements. The grant of an Incentive Stock Option shall be evidenced by a written Award Agreement, executed by the Company and the holder of an Incentive Stock Option (the "Optionee"), stating the number of shares of Common Stock subject to the Incentive Stock Option evidenced thereby, and in such form as the Committee may from time to time determine.

Section 3.3. Incentive Stock Option Price. The Option Price per share of Common Stock deliverable upon the exercise of an Incentive Stock Option shall be at least 100% of the Fair Market Value of a share of Common Stock on the date the Incentive Stock Option is granted; provided, however, the Option Price per share of Common Stock deliverable upon the exercise of an Incentive Stock Option granted to any owner of 10% or more of the total combined voting power of all classes of stock of the Company and its subsidiaries shall be at least 110% of the fair market value of a share of Common Stock on the date the Incentive Stock Option is granted.

Section 3.4. Term and Exercise. Each Incentive Stock Option shall not be exercisable prior to six months from the date of its grant unless a shorter period is provided by the Committee or another Section of this Plan, and may be exercised during the period established by the Committee, but not after ten years from the date of grant thereof (the "Option Term"). No Incentive Stock Option shall be exercisable after the expiration of its Option Term.

Section 3.5. Maximum Amount of Incentive Stock Option Grant. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options granted are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds \$100,000, such Incentive Stock Options shall be treated as Options which do not constitute Incentive Stock Options.

Section 3.6. Death of Optionee. Unless otherwise provided in an Award Agreement:

(a) Upon the death of the Optionee, any Incentive Stock Option exercisable by the Optionee on the date of termination of employment may be exercised by the Optionee's estate or by a person who acquires the right to exercise such Incentive Stock Option by bequest or inheritance or by reason of the death of the Optionee, provided that such exercise occurs within both the remaining option term of the Incentive Stock Option and one year after the Optionee's death.

(b) The provisions of this Section shall apply notwithstanding the fact that the Optionee's employment may have terminated prior to death.

Section 3.7. Retirement or Disability. Unless otherwise provided in an Award Agreement, upon the termination of the Optionee's employment by reason of permanent disability or retirement (as each is determined by the Committee), the Optionee may, within 36 months from the date of such termination of employment, exercise any Incentive Stock Options to the extent such Incentive Stock Options were exercisable at the date of such termination of employment. Notwithstanding the foregoing, the tax treatment available pursuant to Section 422 of the Code upon the exercise of an Incentive Stock Option will not be available to an Optionee who exercises any Incentive Stock Options more than (i) 12 months after the date of termination of employment due to permanent disability or (ii) three months after the date of termination of employment due to retirement.

Section 3.8. Termination for Other Reasons. Except as provided in Sections 3.6 and 3.7 or except as otherwise determined by the Committee, all Incentive Stock Options shall terminate three months after the date of the termination of the Optionee's employment and shall be exercisable during such period only to the extent exercisable on the date of termination of employment.

Section 3.9. Applicability of Stock Options Sections. Sections 2.5, Manner of Payment; 2.6, Delivery of Shares; 2.8, Tax Elections and 2.9, Effect of Exercise,

applicable to Stock Options, shall apply equally to Incentive Stock Options. Such Sections are incorporated by reference in this Article III as though fully set forth herein.

ARTICLE IV. RELOAD OPTIONS

Section 4.1. Authorization of Reload Options. Concurrently with or subsequent to the award of Stock Options to any Participant in the Plan, the Committee may authorize reload options ("Reload Options") to purchase shares of Common Stock. The number of Reload Options shall equal (i) the number of shares of Common Stock used to pay the exercise price of the underlying Stock Options or Incentive Stock Options and (ii) to the extent authorized by the Committee, the number of shares of Common Stock withheld by the Company in payment of the exercise price underlying the Stock Option or Incentive Stock Option or used to satisfy any tax withholding requirement incident to the exercise of the underlying Stock Options or Incentive Stock Options. The grant of a Reload Option will become effective upon the exercise of underlying Stock Options, Incentive Stock Options, or Reload Options through the use of shares of Common Stock held by the Optionee or the withholding of shares by the Company in payment of the exercise price of the underlying Stock Option or Incentive Stock Option held by the Optionee. Notwithstanding the fact that the underlying option may be an Incentive Stock Option, a Reload Option is not intended to qualify as an "incentive stock option" under Section 422 of the Code.

Section 4.2. Reload Option Amendment. Each Award Agreement shall state whether the Committee has authorized Reload Options with respect to the Stock Options and/or Incentive Stock Options covered by such Award Agreement. Upon the exercise of an underlying Stock Option, Incentive Stock Option, or other Reload Option, the Reload Option will be evidenced by an amendment to the underlying Award Agreement in such form as the Committee shall approve.

Section 4.3. Reload Option Price. The Option Price per share of Common Stock deliverable upon the exercise of a Reload Option shall be the Fair Market Value of a share of Common Stock on the date the grant of the Reload Option becomes effective.

Section 4.4. Term and Exercise. Each Reload Option is fully exercisable six months from the effective date of grant. The term of each Reload Option shall be equal to the remaining option term of the underlying Stock Option and/or Incentive Stock Option.

Section 4.5. Termination of Employment. Unless otherwise determined by the Committee in an Award Agreement or otherwise, no additional Reload Options shall be granted to Optionees when Stock Options, Incentive Stock Options, and/or Reload Options are exercised pursuant to the terms of this Plan following termination of the Optionee's employment.

Section 4.6. Applicability of Stock Options Sections. Sections 2.5, Manner of Payment; 2.6 Delivery of Shares; 2.7, Death, Retirement and Termination of Employment of Optionee; 2.8, Tax Elections; and 2.9, Effect of Exercise, applicable to Stock Options, shall apply equally to Reload Options. Such Sections are incorporated by reference in this Article IV as though fully set forth herein.

ARTICLE V. ALTERNATE APPRECIATION RIGHTS

Section 5.1. Award of Alternate Appreciation Rights. Concurrently with or subsequent to the award of any Stock Option, Incentive Stock Option, or Reload Option to purchase one or more shares of Common Stock, the Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, award to the Optionee with respect to each share of Common Stock covered by an Option, a related alternate appreciation right permitting the Optionee to be paid the appreciation on the Option in lieu of exercising the Option ("Alternate Appreciation Right").

Section 5.2. Alternate Appreciation Rights Agreement. Alternate Appreciation Rights shall be evidenced by written Award Agreements in such form as the Committee may from time to time determine.

Section 5.3. Exercise. An Optionee who has been granted Alternate Appreciation Rights may, from time to time, in lieu of the exercise of an equal number of Options, elect to exercise one or more Alternate Appreciation Rights and thereby become entitled to receive from the Company payment in Common Stock of the number of shares determined pursuant to Section 5.4 and 5.5. Alternate Appreciation Rights shall be exercisable only to the same extent and subject to the same conditions as the Options related thereto are exercisable, as provided in this Plan. The Committee may, in its discretion, prescribe additional conditions to the exercise of any Alternate Appreciation Rights.

Section 5.4. Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Alternate Appreciation Right shall be equal to 100% of the amount, if any, by which the Fair Market Value of a share of Common Stock on the exercise date exceeds the Option Price per share on the Option related to such Alternate Appreciation Right. A Section 16(a) Option Holder may elect to withhold shares of Common Stock issued under this Section to pay taxes as described in Section 2.8.

Section 5.5. Form of Payment. The number of shares to be paid shall be determined by dividing the amount of payment determined pursuant to Section 5.4 by the Fair Market Value of a share of Common Stock on the exercise date of such Alternate Appreciation Rights. As soon as practicable after exercise, the Company shall deliver to the Optionee a certificate or certificates for such shares of Common Stock.

Section 5.6. Effect of Exercise. Unless otherwise provided in an Award Agreement or agreed to by the Committee, the exercise of any Alternate Appreciation Rights shall cancel an equal number of Stock Options, Incentive Stock Options, Reload Options, and Limited Rights, if any, related to said Alternate Appreciation Rights.

Section 5.7. Termination of Employment, Retirement, Death or Disability. Unless otherwise provided in an Award Agreement or agreed to by the Committee:

(a) Upon termination of the Optionee's employment (including employment as a director of the Company after an Optionee terminates employment as an employee of the Company) by reason of permanent disability or retirement (as each is determined by the Committee) or consulting, the Optionee may, within six months from the date of such termination, exercise any Alternate Appreciation Rights to the extent such Alternate Appreciation Rights are exercisable during such six-month period.

(b) Except as provided in Section 5.7(a), all Alternate Appreciation Rights shall terminate three months after the date of the termination of the Optionee's employment, consulting or upon the death of the Optionee.

ARTICLE VI. LIMITED RIGHTS

Section 6.1. Award of Limited Rights. Concurrently with or subsequent to the award of any Stock Option, Incentive Stock Option, Reload Option, or Alternate Appreciation Right, the Committee may, subject to the provisions of the Plan and such other terms and conditions as the Committee may prescribe, award to the Optionee with respect to each share of Common Stock covered by an Option, a related limited right permitting the Optionee, during a specified limited time period, to be paid the appreciation on the Option in lieu of exercising the Option ("Limited Right").

Section 6.2. Limited Rights Agreement. Limited Rights granted under the Plan shall be evidenced by written Award Agreements in such form as the Committee may from time to time determine.

Section 6.3. Exercise Period. Limited Rights are exercisable in full for a period of seven months following the date of a Change in Control of the Company (the "Exercise Period"); provided, however, that Limited Rights may not be exercised under any circumstances until the expiration of the six-month period following the date of grant.

Section 6.4. Amount of Payment. The amount of payment to which an Optionee shall be entitled upon the exercise of each Limited Right shall be equal to 100% of the amount, if any, which is equal to the difference between the Option Price per share of Common Stock covered by the related Option and the Market Price of a share of such Common Stock. "Market Price" is defined to be the greater of (i) the highest price per

share of the Company's Common Stock paid in connection with any Change in Control and (ii) the highest price per share of the Company's Common Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the New York Stock Exchange - Composite Transactions) during the 60-day period prior to the Change in Control.

Section 6.5. Form of Payment. Payment of the amount to which an Optionee is entitled upon the exercise of Limited Rights, as determined pursuant to Section 6.4, shall be made solely in cash.

Section 6.6. Effect of Exercise. If Limited Rights are exercised, the Stock Options, Incentive Stock Options, Reload Options, and Alternate Appreciation Rights, if any, related to such Limited Rights shall cease to be exercisable to the extent of the number of shares with respect to which the Limited Rights were exercised. Upon the exercise or termination of the Stock Options, Incentive Stock Options, Reload Options, and Alternate Appreciation Rights, if any, related to such Limited Rights, the Limited Rights granted with respect thereto terminate to the extent of the number of shares as to which the related options and Alternate Appreciation Rights were exercised or terminated.

Section 6.7. Retirement or Disability. Upon termination of the Optionee's employment (including employment as a director of the Company after an Optionee terminates employment as an employee of the Company) by reason of permanent disability or retirement (as each is determined by the Committee) or consulting, the Optionee may, within six months from the date of such termination, exercise any Limited Right to the extent such Limited Right is exercisable during such six-month period.

Section 6.8. Death of Optionee or Termination for Other Reasons. Except as provided in Sections 6.7 and 6.9, or except as otherwise determined by the Committee, all Limited Rights granted under the Plan shall terminate upon the termination of the Optionee's employment, consulting or upon the death of the Optionee.

Section 6.9. Termination Related to a Change in Control. The requirement that an Optionee be terminated by reason of retirement or permanent disability or be employed by the Company at the time of exercise pursuant to Sections 6.7 and 6.8, respectively, is waived during the Exercise Period as to an Optionee who (i) was employed by the Company at the time of the Change in Control and (ii) is subsequently terminated by the Company other than for just cause or who voluntarily terminates if such termination was the result of a good faith determination by the Optionee that as a result of the Change in Control he is unable to effectively discharge his present duties or the duties of the position which he occupied just prior to the Change in Control. As used herein "just cause" shall mean willful misconduct or dishonesty or conviction of or failure to contest prosecution for a felony, or excessive absenteeism unrelated to illness.

ARTICLE VII. SUBSTITUTION AWARDS

Section 7.1. Awards may be granted under the Plan from time to time in substitution for stock options held by individuals employed by corporations who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company, or the acquisition by the Company of the assets of the employing corporation, or the acquisition by the Company of stock of the employing corporation with the result that such employing corporation becomes a Subsidiary or an Affiliate.

ARTICLE VIII. BONUS STOCK AWARDS

Section 8.1. Award of Bonus Stock. The Committee may from time to time, and subject to the provisions of this Plan and such other terms and conditions as the Committee may prescribe, grant to any Participant in the Plan shares of Common Stock ("Stock Bonus"). A Stock Bonus shall vest (i) in the case of performance-based vesting criteria, no sooner than one year following the date of the Stock Bonus grant, and (ii) in the case of time-based vesting criteria, no sooner than one-third of the grant on each subsequent anniversary of the date of grant. Notwithstanding the foregoing, the Committee may grant a fully vested Stock Bonus in lieu of an earned cash bonus.

Section 8.2. Stock Bonus Agreements. The grant of a Stock Bonus shall be evidenced by a written Award Agreement, executed by the Company and the recipient of a Stock Bonus, in such form as the Committee may from time to time determine, providing for the terms of such grant, including any vesting schedule, restrictions on the transfer of such Common Stock or other matters.

ARTICLE IX. MISCELLANEOUS

Section 9.1. General Restriction. Each Award under the Plan shall be subject to the requirement that, if at any time the Committee shall determine that (i) the listing, registration, or qualification of the shares of Common Stock subject to or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body, or (iii) an agreement by the grantee of an Award with respect to the disposition of shares of Common Stock, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the issue or purchase of shares of Common Stock thereunder, such Award may not be consummated in whole or in part unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Committee.

Section 9.2. Non-Assignability. Except as provided below, no Award under the Plan shall be assignable or transferable by the recipient thereof, except by will or by the laws of descent and distribution, and during the life of the recipient, such Award shall be exercisable only by such person or by such person's guardian or legal representative.

Notwithstanding the foregoing, as provided by the Committee in an Award Agreement, Awards (other than Incentive Stock Options) may be transferred (in whole or in part in a form approved by the Company) by a Participant to (i) the spouse, children or grandchildren of the Participant ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of the Immediate Family Members and, if applicable, the Participant, or (iii) a partnership in which such Immediate Family Members and, if applicable, the Participant are the only partners. Following any such transfer, the Award shall continue to be subject to the same terms and conditions as were applicable to the Award immediately prior to the transfer. A transferee of an Award may not transfer the Award except to an Immediate Family Member or the Participant.

Section 9.3. Withholding Taxes. Whenever the Company proposes or is required to issue or transfer shares of Common Stock under the Plan, the Company shall have the right to require the grantee to remit to the Company an amount sufficient to satisfy any federal, state and/or local withholding tax requirements prior to the delivery of any certificates for such shares. Alternatively, the Company may issue or transfer such shares of the Company net of the number of shares sufficient to satisfy the withholding tax requirements. For withholding tax purposes, the shares of Common Stock shall be valued on the date the withholding obligation is incurred.

Section 9.4. Right to Terminate Employment. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Participant the right to continue in the employment of, or consulting to, the Company or effect any right which the Company may have to terminate the employment or consulting relationship of such Participant.

Section 9.5. Non-Uniform Determination. The Committee's determinations under the Plan (including without limitation determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated.

Section 9.6. Rights as a Shareholder. The recipient of any Award under the Plan shall have no right as a shareholder with respect thereto unless and until certificates for shares of Common Stock are issued to him.

Section 9.7. Definitions. In this Plan the following definitions shall apply:

(a) "Subsidiary" means any corporation of which, at the time more than 50% of the shares entitled to vote generally in an election of directors are owned directly or indirectly by the Company or any subsidiary thereof.

(b) "Affiliate" means any person or entity which directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

(c) "Fair Market Value" as of any date and in respect or any share of Common Stock means the lowest reported trading price on such date or on the next business day, if such date is not a business day, of a share of Common Stock reflected in the consolidated trading tables of The Wall Street Journal (presently the New York Stock Exchange - Composite Transactions) or any other publication selected by the Committee, provided that, if shares of Common Stock shall not have been quoted on the New York Stock Exchange for more than 10 days immediately preceding such date or if deemed appropriate by the Committee for any other reason, the fair market value of shares of Common Stock shall be as determined by the Committee in such other manner as it may deem appropriate. In no event shall the Fair Market Value of any share of Common Stock be less than its par value.

(d) "Option" means Stock Option, Incentive Stock Option, or Reload Option.

(e) "Option Price" means the purchase price per share of the Common Stock deliverable upon the exercise of a Stock Option, Incentive Stock Option, or Reload Option.

(f) "Change in Control" means the occurrence, at any time during the specified term of an Option granted under the Plan, of any of the following events:

(i) The Company is merged or consolidated or reorganized into or with another corporation or other legal person (an "Acquiror") and as a result of such merger, consolidation or reorganization less than 75% of the outstanding voting securities or other capital interests of the surviving, resulting or acquiring corporation or other legal person are owned in the aggregate by the stockholders of the Company, directly or indirectly, immediately prior to such merger, consolidation or reorganization, other than the Acquiror or any corporation or other legal person controlling, controlled by or under common control with the Acquiror;

(ii) The Company sells all or substantially all of its business and/or assets to an Acquiror, of which less than 75% of the outstanding voting securities or other capital interests are owned in the aggregate by the stockholders of the Company, directly or indirectly, immediately prior to such sale, other than any corporation or other legal person controlling, controlled by or under common control with the Acquiror;

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person or group (as the terms "person" and "group" are used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act and the rules and regulations promulgated thereunder) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 20% or more of the issued and outstanding shares of voting securities of the Company; or

(iv) During any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's stockholders, of each new director of the Company was approved by a vote of at least two-thirds of such directors of the Company then still in office who were directors of the Company at the beginning of any such period.

Section 9.8. Leaves of Absence. The Committee shall be entitled to make such rules, regulations, and determinations as it deems appropriate under the Plan in respect of any leave of absence taken by the recipient of any Award. Without limiting the generality of the foregoing, the Committee shall be entitled to determine (i) whether or not any such leave of absence shall constitute a termination of employment within the meaning of the Plan and (ii) the impact, if any, of any such leave of absence on Awards under the Plan theretofore made to any recipient who takes such leave of absence.

Section 9.9. Newly Eligible Employees. The Committee shall be entitled to make such rules, regulations, determinations and awards as it deems appropriate in respect of any employee who becomes eligible to participate in the Plan or any portion thereof after the commencement of an award or incentive period.

Section 9.10. Adjustments. In any event of any change in the outstanding Common Stock by reason of a stock dividend or distributions, recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like, the Committee may appropriately adjust the number of shares of Common Stock that may be issued under the

Plan, the number of shares of Common Stock subject to Options theretofore granted under the Plan, and any and all other matters deemed appropriate by the Committee.

Section 9.11. Changes in the Company's Capital Structure.

(a) The existence of outstanding Options, Alternative Appreciation Rights, or Limited Rights shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) If, while there are outstanding Options, the Company shall effect a subdivision or consolidation of shares or other increase or reduction of the number of shares of the Common Stock outstanding without receiving compensation therefor in money, services or property, then (i) in the event of an increase in the number of such shares outstanding, the number of shares of Common Stock then subject to Options hereunder shall be proportionately increased; and (ii) in the event of a decrease in the number of such shares outstanding the number of shares then available for Option hereunder shall be proportionately decreased.

(c) After a merger of one or more corporations into the Company, or after a consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, each holder of an outstanding Option shall, at no additional cost, be entitled upon exercise of such Option to receive (subject to any required action by stockholders) in lieu of the number of shares as to which such Option shall then be so exercisable, the number and class of stock or other securities to which such holder would have been entitled to receive pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, such holder had been the holder of record of a number of shares of the Company equal to the number of shares as to which such Option had been exercisable.

(d) If the Company is merged into or consolidated with another corporation or other entity under circumstances where the Company is not the surviving corporation, or if the Company sells or otherwise disposes of substantially all of its assets to another corporation or other entity while unexercised Options remain outstanding, then the Committee may direct that any of the following shall occur:

(i) If the successor entity is willing to assume the obligation to deliver shares of stock or securities after the effective date of the merger, consolidation or sale of assets, as the case may be, each holder of an outstanding Option shall be entitled to receive, upon the exercise of such Option and payment of the Option Price, in lieu of shares of Common Stock, such shares of stock or other securities as the holder of such Option would have been entitled to receive had such Option been exercised immediately prior to the consummation of such merger, consolidation or sale, and any related Alternate Appreciation Right and Limited Right associated with such Option shall apply as nearly as practicable to the shares of stock or other securities purchasable upon exercise of the Option following such merger, consolidation or sale of assets.

(ii) The Committee may waive any limitations set forth in or imposed pursuant to this Plan or any Award Agreement with respect to such Option and any related Alternate Appreciation Right or Limited Option such that such Option and related Alternate Appreciation Right and Limited Right shall become exercisable prior to the record or effective date of such merger, consolidation or sale of assets.

(iii) The Committee may cancel all outstanding Options and Alternate Appreciation Rights (but not Limited Rights) as of the effective date of any such merger, consolidation, or sale of assets provided that prior notice of such cancellation shall be given to each holder of an Option at least 30 days prior to the effective date of such merger, consolidation, or sale of assets, and each holder of an Option shall have the right to exercise such Option and any related Alternate Appreciation Right in full during a period of not less than 30 days prior to the effective date of such merger, consolidation, or sale of assets. No action taken by the Committee under this subsection shall have the effect of terminating, and nothing in this subsection shall permit the Committee to terminate, any Limited Right held by an Optionee.

(c) Except as herein provided, the issuance by the Company of Common Stock or any other shares of capital stock or services convertible into shares of capital stock, for cash property, labor done or other consideration, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding Options.

Section 9.12. Change in Control. Any Award granted under the Plan prior to the date of a Change in Control shall be immediately exercisable in full on such date, without regard to any times of exercise established under its Award Agreement; provided, however, in no event shall Stock Options or Incentive Stock Options be exercisable after the tenth anniversary of their respective grant dates.

Section 9.13. Amendment of the Plan.

(a) The Committees may without further action by the shareholders and without receiving further consideration from the Participants, amend this Plan or condition or modify Awards under this Plan in response to changes in securities or other laws or rules, regulations or regulatory interpretations thereof applicable to this Plan or to comply with stock exchange rules or requirements.

(b) The Committee may at any time and from time to time terminate or modify or amend the Plan in any respect, except that without shareholder approval the Committee may not (i) increase the maximum number of shares of Common Stock which may be issued under the Plan (other than increases pursuant to Section 9.10), (ii) extend the period during which any Award may be granted or exercised, (iii) extend the term of the Plan, (iv) change the class of eligible Participants in the Plan, or (v) materially increase benefits available to Participants under the Plan if such increase would require shareholder approval pursuant to the listed company rules of the New York Stock Exchange, Inc. as such rules may be amended from time to time. The termination or any modification or amendment of the Plan, except as provided in subsection (a), shall not, without the consent of a Participant, affect his or her rights under an Award previously granted to him or her.

Section 9.14. Effective Date. The Plan, as amended as of July 6, 1998, shall become effective as of July 6, 1998.

WASTE MANAGEMENT, INC.
1996 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS
(AS AMENDED - NOVEMBER 10, 1998)
CONFORMED COPY

1. PURPOSE. The principal purpose of this 1996 Stock Option Plan for Non-Employee Directors (the "Plan") is to benefit WASTE MANAGEMENT, INC. (the "Company") and its subsidiaries through offering its directors who are not officers or full-time employees of the Company or any of its subsidiaries an opportunity to become holders of stock in the Company, thereby giving them a stake in the growth and prosperity of the Company, in order to enable them to represent the viewpoint of other stockholders of the Company more effectively and to encourage them to continue serving as directors of the Company.
2. ADMINISTRATION. The Plan shall be administered by the Executive Committee of the Board of Directors (the "Committee"), whose interpretation of the terms and provisions of the Plan and whose determination of matters pertaining to options granted under the Plan shall be final and conclusive."
3. ELIGIBILITY. Options shall be granted under this Plan only to members of the Board of Directors who are not officers or full-time employees of the Company or any of its subsidiaries (each such director receiving options granted under the Plan and each other person entitled to exercise an option granted under the Plan is referred to herein as an "Optionee").
4. GRANT OF OPTIONS. (a) An option under which a total of 10,000 shares of the common stock of the Company may be purchased from the Company shall be automatically granted to each eligible director of the Company on the first business day of January of each year in which such eligible director is still serving as a director (whether or not such director's term has been continuous). Notwithstanding the foregoing, the Committee may provide for an annual option grant for the purchase of a different number of Company shares and for such additional grants to eligible persons under this Plan as the Committee may in its discretion determine. The aggregate number of shares which shall be available to be so optioned under this Plan shall be 1,400,000 shares. Such number of shares, and the number of shares subject to options outstanding under the Plan, shall be subject in all cases to adjustment as provided in Paragraph 10 hereof. No option shall be granted under the Plan subsequent to January 1, 2006.

(b) Notwithstanding any of the foregoing to the contrary, in the event an option expires or is terminated or canceled unexercised as to any shares of common stock, such released shares may again be the subject of an option granted under the Plan. Shares subject to options may be made available from unissued or reacquired shares of common stock.

(c) Nothing contained in the Plan or in any option granted pursuant thereto shall in itself confer upon any Optionee any right to continue serving as a director of the Company or interfere in any way with any right of the Board of Directors or stockholders of the Company to remove such director pursuant to the restated certificate of incorporation or by-laws of the Company or applicable law.

5. OPTION PRICE. Subject to adjustment under Paragraph 10 hereof, the option price shall be the fair market value, on the date as of which the option is granted, of the stock subject to the option, which shall be, for purposes of this Paragraph, the lowest trading price of the Company's common stock on the New York Stock Exchange Composite Tape (as reported in The Wall Street Journal, Southwest Edition) (or, if the Company's common stock is not then traded on the New York Stock Exchange, on the principal market where such common stock is actively traded) on the date as of which the option is granted.

6. DURATION OF OPTIONS; VESTING. Subject to the provisions of Paragraph 8 hereof, each option shall be for a term of ten years. Each option shall become exercisable with respect of 100% of the total number of shares subject to the option on the first anniversary of the date of grant.

7. EXERCISE OF OPTION. (a) An option may be exercised by giving written notice to the Company, attention of the Secretary, specifying the number of shares to be purchased, accompanied by the full purchase price for the shares to be purchased in cash, by check, or a "cashless-broker" exercise pursuant to procedures established by the Committee from time to time, by a promissory note in the form specified by the Company and payable to the Company 15 business days after the date of exercise of the option, by shares of the Company's common stock or by a combination of these methods of payment. For this purpose, the per share value of the Company's common stock shall be the fair market value on the date of exercise (or if the date of exercise is not a trading day on the trading day next preceding the date of exercise), which shall be, for purposes of this Paragraph, the average of the highest and lowest sales price of the Company's common stock on the New York Stock Exchange Composite Tape (as reported in The Wall Street Journal, Southwest Edition) (or, if the Company's common stock is not then traded on the New York Stock Exchange, on the principal market where such common stock is actively traded) on such date.

(b) At the time of any exercise of any option, the Company may, if it shall determine it necessary or desirable for any reason, require the Optionee (or his or her heirs, legatees or legal representatives, as the case may be) as a condition upon the exercise thereof, to deliver to the Company a written representation of present intention to purchase the shares for investment and not for distribution. In the event such representation is required to be delivered, an appropriate legend may be placed upon each certificate delivered to the Optionee upon his or her exercise of part or all of the option and a stop transfer order may be placed with the transfer agent. Each option shall also be subject to the requirement that, if at any time the Company determines, in its discretion, that the listing, registration or qualification of the shares subject to the option upon any securities exchange or under any state, federal or foreign law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in consideration with, the issue or purchase of shares thereunder, the option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

8. TERMINATION-EXERCISE THEREAFTER. (a) In the event an Optionee ceases to be a director of the Company for any reason other than death, permanent disability, resignation or

retirement, such Optionee's option shall expire and all rights to purchase shares pursuant thereto shall terminate immediately.

(b) In the event of death, permanent disability (as the term is defined in the Social Security Act, as now in effect or as it shall be subsequently amended), resignation or retirement, the vesting of any unvested options shall accelerate and such options may be exercised in full by the Optionee or, if the Optionee is not living, by the Optionee's heirs, legatees, or legal representatives, as the case may be, at any time during its specified term after the date of death, permanent disability, resignation or retirement.

9. TRANSFERABILITY. (a) Except as provided in subparagraph (b) below, no Option will be transferable by an Optionee other than by will or the laws of descent and distribution and Options will be exercisable during the lifetime of the Optionee only by the Optionee or by the Optionee's legal representative.

(b) Notwithstanding the foregoing, Options may be transferred (in whole or in part in a form approved by the Company) by an Optionee to (i) the spouse, children or grandchildren of the Optionee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of the Immediate Family Members and, if applicable, the Optionee, or (iii) a partnership in which such Immediate Family Members and, if applicable, the Optionee are the only partners. Following any such transfer, the Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately prior to the transfer. A transferee of an Option may not transfer the Option except to an Immediate Family Member or the Optionee.

10. ADJUSTMENT. The number of shares subject to the Plan and to options granted under the Plan shall be adjusted as follows: (a) in the event that the Company's outstanding common stock is changed by any stock dividend, stock split or combination of shares, the number of shares subject to the Plan and to options granted thereunder shall be proportionately adjusted, (b) in the event of any merger, consolidation or reorganization of the Company with any other corporation or corporations, there shall be substituted on an equitable basis as determined by the Board of Directors, for each share of common stock then subject to the Plan and for each share of common stock then subject to an option granted under the Plan, the number and kind of shares of stock, other securities, cash or other property to which the holders of common stock of the Company will be entitled pursuant to the transaction, and (c) in the event of any other relevant change in the capitalization of the Company, the Board of Directors shall provide for an equitable adjustment in the number of shares of common stock then subject to the Plan and to each share of common stock then subject to an option granted under the Plan. In the event of any such adjustment, the exercise price per share shall be proportionately adjusted.

11. CHANGE IN CONTROL. (a) Any option granted under the Plan prior to the date of a "Change in Control" shall be immediately exercisable in full on such date, without regard to any times of exercise established under the Paragraph 6 hereof. The term "Change in Control" shall mean the occurrence, at any time during the specified term of an option granted under the Plan, of any of the following events:

(i) The Company is merged or consolidated or reorganized into or with another corporation or other legal person (an "Acquiror") and as a result of such merger, consolidation or reorganization less than 75% of the outstanding voting securities or other capital interests of the surviving, resulting or acquiring corporation or other legal person are owned in the aggregate by the stockholders of the Company, directly or indirectly, immediately prior to such merger, consolidation or reorganization, other than the Acquiror or any corporation or other legal person controlling, controlled by or under common control with the Acquiror;

(ii) The Company sells all or substantially all of its business and/or assets to an Acquiror, of which less than 75% of the outstanding voting securities or other capital interests are owned in the aggregate by the stockholders of the Company, directly or indirectly, immediately prior to such sale, other than any corporation or other legal person controlling, controlled by or under common control with the Acquiror;

(iii) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any person or group (as the terms "person" and "group" are used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act and the rules and regulations promulgated thereunder) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 20% or more of the issued and outstanding shares of voting securities of the Company; or

(iv) During any period of two consecutive years, individuals who at the beginning of any such period constitute the directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's stockholders, of each new director of the Company was approved by a vote of at least two-thirds of such directors of the Company then still in office who were directors of the Company at the beginning of any such period.

12. AMENDMENT OF PLAN. The Board of Directors of the Company or any authorized committee thereof may amend or discontinue the Plan at any time, provided, however, that the Plan may not be amended more than once every six months except to comport with the changes in the Internal Revenue Code, the Employee Retirement Income Security Act of 1976, as amended, or the rules and regulations under each, and provided further, that no such amendment or discontinuance shall (a) without the consent of the Optionee change or impair any option previously granted, or (b) without the approval of the holders of a majority of the shares of voting common stock of the Company which are present or represented at a duly held stockholders' meeting, (i) increase the maximum number of shares which may be purchased by all eligible directors pursuant to the Plan, (ii) change the purchase price, or (iii) change the option period or increase the time limitations on the grant of options.

EMPLOYMENT AGREEMENT

WASTE MANAGEMENT, INC. (the "Company"), and _____ (the "Executive") hereby enter into this EMPLOYMENT AGREEMENT ("Agreement") dated as of _____, 19____, as follows:

1. EMPLOYMENT.

The Company shall employ Executive, and Executive shall be employed by the Company upon the terms and subject to the conditions set forth in this Agreement.

2. TERM OF EMPLOYMENT.

The period of Executive's employment under this Agreement shall begin as of _____, 19____, and shall be for continuously renewing [five (5)] [three (3)] year terms, unless Executive's employment is terminated in accordance with Section 5 below.

3. DUTIES AND RESPONSIBILITIES.

- (a) Executive shall serve as _____, and report to _____. In such capacity, Executive shall perform such duties as may be assigned to Executive from time to time by the Board of Directors of the Company or the Chief Executive Officer of the Company.
- (b) Executive shall faithfully serve the Company, and/or its affiliated corporations, devote Executive's full working time, attention and energies to the business of the Company, and/or its affiliated corporations, and perform the duties under this Agreement to the best of Executive's abilities. Executive may make and manage his personal investments, provided such investments in other activities do not violate, in any material respect, the provisions of Section 8 of this Agreement.
- (c) Executive shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory, and administrative bodies; (ii) comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not engage in any other business or employment without the written consent of the Company except as otherwise specifically provided herein.

4. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of (\$_____) dollars per year or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for senior executives.

- (b) EXPENSE REIMBURSEMENT. The Company shall promptly reimburse Executive for the ordinary and necessary business expenses incurred by Executive in the performance of the duties hereunder in accordance with the Company's customary practices applicable to senior executives, provided that such expenses are incurred and accounted for in accordance with the Company's policy.
- (c) BENEFIT PLANS. Executive shall be eligible to participate in or receive benefits under any pension plan, profit sharing plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or any other fringe benefit plan, generally made available by the Company to [senior executives] [executive working pursuant to this form of Agreement (hereinafter referred to as "similarly situated executives")].
- (d) EMPLOYEE'S EXPENSES. All costs and expenses (including reasonable legal, accounting and other advisory fees) incurred by the Executive to (i) defend the validity of this Agreement, (ii) contest any determination by the Company concerning the amounts payable (or reimbursable) by the Company to the Executive under this Agreement, (iii) determine in any tax year of the Executive, the tax consequences to the Executive of any amount payable (or reimbursable) under Section 7(b) or 7(c) hereof, or (iv) prepare responses to an Internal Revenue Service audit of, and to otherwise defend, his personal income tax return for any year which is the subject of any such audit, or an adverse determination, administrative proceedings or civil litigation arising therefrom that is occasioned by or related to any audit by the Internal Revenue Service of the Company's income tax returns, are, upon written demand by the Executive, to be promptly advanced or reimbursed to the Executive, or paid directly, on a current basis, by the Company or its successors.

5. TERMINATION OF EMPLOYMENT.

Executive's employment hereunder may be terminated under the following circumstances:

- (a) DEATH. Executive's employment hereunder shall terminate upon Executive's death.
- (b) TOTAL DISABILITY. The Company may terminate Executive's employment hereunder upon Executive becoming "Totally Disabled". For purposes of this Agreement, Executive shall be "Totally Disabled" if Executive is physically or mentally incapacitated so as to render Executive incapable of performing Executive's usual and customary duties under this Agreement. Executive's receipt of disability benefits under the Company's long-term disability plan or receipt of Social Security disability benefits shall be deemed conclusive evidence of Total Disability for purpose of this Agreement; provided, however, that in the absence of Executive's receipt of such long-term disability benefits or Social Security benefits, the Company's Board of Directors may, in its reasonable discretion (but based upon appropriate medical evidence), determine that Executive is Totally Disabled.
- (c) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment hereunder for "Cause" at any time after providing written notice to Executive.

(i) For purposes of this Agreement, the term "Cause" shall mean any of the following: (A) conviction of a crime (including conviction on a nolo contendere plea) involving a felony or, in the good faith judgment of the Company's Board of Directors, fraud, dishonesty, or moral turpitude; (B) deliberate and continual refusal to perform employment duties reasonably requested by the Company or an affiliate after thirty (30) days' written notice by certified mail of such failure to perform, specifying that the failure constitutes cause (other than as a result of vacation, sickness, illness or injury); (C) fraud or embezzlement determined in accordance with the Company's normal, internal investigative procedures consistently applied in comparable circumstances; (D) gross misconduct or gross negligence in connection with the business of the Company or an affiliate which has substantial effect on the Company or the affiliate; or (E) breach of any of the covenants set forth in Section 8 hereof.

(ii) An individual will be considered to have been terminated for Cause if the Company determines that the individual engaged in an act constituting Cause at any time prior to a payment date for an award, regardless of whether the individual terminates employment voluntarily or is terminated involuntarily, and regardless of whether the individual's termination initially was considered to have been for Cause.

(iii) Any determination of Cause under this Agreement shall be made by resolution of the Company's Board of Directors adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors at a meeting called and held for that purpose and at which Executive is given an opportunity to be heard.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. Executive may terminate employment hereunder at any time after providing ninety (90) days' written notice to the Company, or for good reason as described in Section 7 of this Agreement.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate Executive's employment hereunder without Cause at any time after providing written notice to Executive.

6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT.

In the event that Executive's employment hereunder is terminated, Executive shall be entitled to the following compensation and benefits upon such termination:

(a) TERMINATION BY REASON OF DEATH. In the event that Executive's employment is terminated by reason of Executive's death, the Company shall pay the following amounts to Executive's beneficiary or estate:

(i) Any accrued but unpaid Base Salary for services rendered to the date of death, any accrued but unpaid expenses required to be reimbursed under this Agreement; a pro-rata "bonus" or incentive compensation payment to the extent payments are awarded similarly situated executives and paid at the same time as similarly situated executives are paid; and any vacation accrued to the date of death.

- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, as determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to the Base Salary (at the rate in effect as of the date of Executive's death) which would have been payable to Executive if Executive had continued in employment until the end of the current Employment Term. Such amount shall be paid in a single lump sum cash payment within thirty (30) days after Executive's death.
- [(iv) As of the date of termination by reason of Executive's death, stock options awarded to Executive shall be fully vested and Executive's estate or beneficiary shall have up to one (1) year from the date of death to exercise all such options.]

(b) TERMINATION BY REASON OF TOTAL DISABILITY. In the event that Executive's employment is terminated by reason of Executive's Total Disability as determined in accordance with Section 5(b), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination. Executive shall also be eligible for a pro-rata bonus or incentive compensation payment to the extent such awards are made to similarly situated executives for the year in which Executive is terminated.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) The Base Salary (at the rate in effect as of the date of Executive's Total Disability) which would have been payable to Executive if Executive had continued in active employment until the end of the current Employment Term. Payment shall be made at the same time and in the same manner as such compensation would have been paid if Executive had remained in active employment until the end of such period.
- [(iv) As of the date of termination by reason of Executive's total disability, Executive shall be fully vested in all stock option awards and Executive shall have up to one (1) year from the date of termination by reason of total disability to exercise all such options.]

(c) TERMINATION FOR CAUSE. In the event that Executive's employment is terminated by the Company for Cause pursuant to Section 5(c), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(d) VOLUNTARY TERMINATION BY EXECUTIVE. In the event that Executive terminates employment pursuant to Section 5(d), and other than for a resignation tendered pursuant to Section 7 of this Agreement, the Company shall pay the following amounts to Executive:

(i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(e) TERMINATION BY THE COMPANY WITHOUT CAUSE. In the event that Executive's employment is terminated by the Company pursuant to Section 5(e) for reasons other than death, Total Disability or Cause, the Company shall pay the following amounts to Executive:

(i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.

(ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof shall be determined and paid in accordance with the terms of such plans, policies and arrangements.

(iii) An annual amount equal to 75 percent (75%) of the average of Executive's "Total Annual Direct Compensation" for the two highest of the three most recent calendar years prior to Executive's termination. Such annual amount shall be paid during the five (5) year period beginning on the date of Executive's termination and shall be paid at the same time and in the same manner as Base Salary would have been paid if Executive had remained in active employment until the end of such period. For purposes of this Agreement, the term "Total Annual Direct Compensation" means the total of the Base Salary and other cash compensation payable to Executive attributable to a calendar year (A) including any cash compensation which would have been payable for such year but for Executive's election to defer payment of such compensation and (B) excluding any amounts recognized as compensation as a result of Executive's exercise of a stock option or receipt of a stock award.

(iv) The Company completely at its expense will continue for Executive and Executive's spouse and dependents, all health benefit plans, programs or arrangements, whether group or individual, in which Executive was entitled to participate at any time during the twelve-month period prior to the date of termination, until the earliest to occur of (A) [five] [three] years after the date of termination; (B) Executive's death (provided

that benefits payable to Executive's beneficiaries shall not terminate upon Executive's death); or (C) with respect to any particular plan, program or arrangement, the date Executive becomes covered by a comparable benefit by a subsequent employer. In the event that Executive's continued participation in any such plan, program, or arrangement of the Company is prohibited, the Company will arrange to provide Executive with benefits substantially similar to those which Executive would have been entitled to receive under such plan, program, or arrangement, for such period.

(v) Except to the extent prohibited by law, Executive will be 100% vested in all benefits, awards, and grants accrued but unpaid as of the date of termination under any pension plan, profit sharing plan, supplemental and/or incentive compensation plans, and stock option plans in which Executive was a participant as of the date of termination. [Executive shall have one (1) year from the date of termination to exercise stock options.] [Executive shall be able to exercise stock options for the life of the award.] Executive shall also be eligible for a bonus or incentive compensation payment, to the extent payments are made to similarly situated executives, pro-rated for the year in which the Executive is terminated.

(f) NO OTHER BENEFITS OR COMPENSATION. Except as may be provided under this Agreement, under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's termination or resignation of employment, Executive shall have no right to receive any other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.

(g) SUSPENSION OR TERMINATION OF BENEFITS AND COMPENSATION. In the event that the Company, in its sole discretion determines that, without the Company's express written consent, Executive has

(i) directly or indirectly engaged in, assisted or have any active interest or involvement whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor, or any type of principal whatsoever, in any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates, or

(ii) directly or indirectly, for or on behalf of any person, firm, or business entity which is directly or indirectly competitive with the Company or any of its affiliates (A) solicited or accepted from any person or entity who is or was a client of the Company during the term of Executive's employment hereunder or during any of the twelve calendar months preceding or following the termination of Executive's employment any business for services similar to those rendered by the Company, (B) requested or advised any present or future customer of the Company to withdraw, curtail or cancel its business dealings with the Company, or (C) requested or advised any employee of the Company to terminate his or her employment with the Company;

the Company shall have the right to suspend or terminate any or all remaining benefits payable pursuant to Section 6 of this Agreement. Such suspension or termination of benefits shall be in addition to and shall not limit any and all other rights and remedies that the Company may have against Executive.

7. RESIGNATION BY EXECUTIVE FOR GOOD REASON AND COMPENSATION PAYABLE FOLLOWING CHANGE IN CONTROL.

- (a) RESIGNATION FOR GOOD REASON FOLLOWING CHANGE IN CONTROL. In the event a "Change in Control" occurs, Executive will be paid the compensation described in this Section 7 if Executive resigns or is terminated from employment with the Company at any time prior to the six (6) month anniversary of the date of the Change in Control following the occurrence of any of the following events:
- (i) without Executive's express written consent, the assignment to Executive of any duties inconsistent with Executive's positions, duties, responsibilities and status with the Company immediately before a Change in Control, or a change in Executive's reporting, responsibilities, titles or offices as in effect immediately before a Change in Control, or any removal of Executive from, or any failure to re-elect Executive to, any of such positions, except in connection with the termination of Executive's employment as a result of death, or by the Company for Disability or Cause, or by Executive other than for the reasons described in this Section 7(a);
 - (ii) a reduction by the Company in Executive's Base Salary as in effect immediately before a Change in Control plus all increases therein subsequent thereto;
 - (iii) the failure of the Company substantially to maintain and to continue Executive's participation in the Company's benefit plans as in effect immediately before a Change in Control and with all improvements therein subsequent thereto (other than those plans or improvements that have expired thereafter in accordance with their original terms), or the taking of any action which would materially reduce Executive's benefits under any of such plans or deprive Executive of any material fringe benefit enjoyed by Executive immediately before a Change in Control, unless such reduction or termination is required by law;
 - [(iv) the failure of the Company to pay Executive with an appropriate adjustment to compensation, such as a lump sum relocation bonus, salary adjustment and/or housing allowance so that Executive can purchase comparable primary housing if required to relocate (it being the intention of this Section 7[a][iv] to keep the Executive "whole" if required to relocate). In this regard, comparable housing shall be determined by comparing factors such as location (taking into account, by way of example, items such as the value of the surrounding neighborhood, reputation of the public school district, if applicable, security and proximity to Executive's place of work), quality of construction, design, age, size of the housing and the ratio of the monthly payments including principle, interest, taxes and insurance, to the

Executive's take-home-pay, to housing most recently owned by Executive prior to, or as of the effective date of the change of control;]

- [(iv) the change of Executive's principal place of employment to a location more than fifty (50) miles from such principal place of employment, except for required travel on the Company's business to an extent substantially consistent with Executive's business travel obligations immediately before a Change in Control;]
- (v) the failure by the Company to pay Executive any portion of Executive's current compensation, or any portion of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company, within seven (7) days of the date such compensation is due; or
- (vi) the failure by the Company to obtain an assumption of, and agreement to perform the obligations of the Company under this Agreement by any successor to the Company.

(b) COMPENSATION PAYABLE. In the event that Executive terminates employment pursuant to Section 7(a), the Company shall pay the following amounts to Executive:

- (i) Any accrued but unpaid Base Salary for services rendered to the date of termination, any accrued but unpaid expenses required to be reimbursed under this Agreement, any vacation accrued to the date of termination.
- (ii) Any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4(c) hereof, shall be determined and paid in accordance with the terms of such plans, policies and arrangements.
- (iii) An amount equal to \$1.00 less than three (3) times Executive's "base amount" within the full meaning of Section 280G of the Internal Revenue Code. Such amount shall be paid to Executive in a single lump sum cash payment within five (5) business days after the effective date of Executive's resignation.
- (iv) Executive will be 100% vested in all benefits, awards, and grants (including stock option grants) accrued but unpaid as of the date of termination under any non-qualified pension plan, supplemental and/or incentive compensation or bonus plans, in which Executive was a participant as of the date of termination. Executive shall also be eligible for a bonus or incentive compensation payment (the "bonus payment"), payable at 100% of the maximum bonus available to Executive, pro-rated as of the effective date of the termination. The bonus payment shall be payable within five (5) days after the effective date of Employee's termination. [Employee shall have until the expiration date shown on the stock option award in which to exercise the options which have vested pursuant to this section.]

Except as may be provided under this Section 7 or under the terms of any incentive compensation, employee benefit, or fringe benefit plan applicable to Executive at the time of Executive's resignation from employment, Executive shall have no right to receive any

other compensation, or to participate in any other plan, arrangement or benefit, with respect to future periods after such resignation or termination.

- (c) CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY. In the event that any portion of the benefits payable under this Agreement, and any other payments and benefits under any other agreement with, or plan of the Company to or for the benefit of the Executive (in aggregate, "Total Payments") constitute an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), then the Company shall pay the Executive as promptly as practicable following such determination an additional amount (the "Gross-up Payment") calculated as described below to reimburse the Executive on an after-tax basis for any excise tax imposed on such payments under Section 4999 of the Code. The Gross-up Payment shall equal the amount, if any, needed to ensure that the net parachute payments (including the Gross-up Payment) actually received by the Executive after the imposition of federal and state income, employment and excise taxes (including any interest or penalties imposed by the Internal Revenue Service), are equal to the amount that the Executive would have netted after the imposition of federal and state income and employment taxes, had the Total Payments not been subject to the taxes imposed by Section 4999. For purposes of this calculation, it shall be assumed that the Executive's tax rate will be the maximum federal rate to be computed with regard to Section 1(g) of the Code.

In the event that the Executive and the Company are unable to agree as to the amount of the Gross-up Payment, if any, the Company shall select a law firm or accounting firm from among those regularly consulted (during the twelve-month period immediately prior to a Change-in-Control) by the Company regarding federal income tax matters and such law firm or accounting firm shall determine the amount of Gross-up Payment and such determination shall be final and binding upon the Executive and the Company.

- (d) CHANGE IN CONTROL. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:
- (i) Any transfer to, assignment to, or any acquisition by any person, corporation or other entity, or group thereof, of the beneficial ownership, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, of any securities of the Company, which transfer, assignment or acquisition results in such person, corporation, entity, or group thereof, becoming the beneficial owner, directly or indirectly, of securities of the Company representing 25 percent (25%) or more of the combined voting power of the Company's then outstanding securities; or
 - (ii) As a result of a tender offer, merger, consolidation, sale of assets, or contested election, or any combination of such transactions, the persons who were directors immediately before the transaction shall cease to constitute a majority of the Board of Directors of the Company or any successor to the Company.

8. RESTRICTIVE COVENANTS

- (a) **COMPETITIVE ACTIVITY.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and during the period that payments are made to Executive pursuant to Section 6 of this Agreement, Executive will not engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company, without the Company's specific written consent to do so. Executive further agrees that for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or for a period of two (2) years following the date of termination, whichever is later, Executive will not, directly or indirectly, within 75 miles of any operating location of any affiliate of the Company, engage in, assist, or have any active interest or involvement, whether as an employee, agent, consultant, creditor, advisor, officer, director, stockholder (excluding holding of less than 1% of the stock of a public company), partner, proprietor or any type of principal whatsoever in any person, firm, or business entity which, directly or indirectly, is engaged in the same business as that conducted and carried on by the Company or any of its affiliated companies, without the Company's specific written consent to do so.
- (b) **NON-SOLICITATION.** Executive covenants and agrees that at all times during Executive's period of employment with the Company, and for a period of one (1) year after the date payments made to Executive pursuant to Section 6 of this Agreement cease, or two (2) years after the date of termination of the Executive's employment, whichever date is later, whether such termination is voluntary or involuntary by wrongful discharge, or otherwise, Executive will not directly or indirectly (i) induce any customers of the Company or corporations affiliated with the Company to patronize any similar business which competes with any material business of the Company; (ii) canvass, solicit or accept any similar business from any customer of the Company or corporations affiliated with the Company; (iii) directly or indirectly request or advise any customers of the Company or corporations affiliated with the Company to withdraw, curtail or cancel such customer's business with the Company; [or] (iv) directly or indirectly disclose to any other person, firm or corporation the names or addresses of any of the customers of the Company or corporations affiliated with the Company[. or; (v) individually or through any person, firm, association or corporation with which Executive is now or may hereafter become associated, cause, solicit, entice, or induce any present or future employee of the Company, or any corporation affiliated with the Company to leave the employ of the Company, or such other corporation to accept employment with, or compensation from, the Executive or any such person, firm, association or corporation without the prior written consent of the Company.]
- (c) **NON-DISPARAGEMENT.** Executive covenants and agrees that Executive shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks (including, without limitation, the repetition or distribution of derogatory rumors, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or good will of the Company, its management, or of management of corporations affiliated with the Company.

- (d) PROTECTED INFORMATION. Executive recognizes and acknowledges that Executive has had and will continue to have access to various confidential or proprietary information concerning the Company and corporations affiliated with the Company of a special and unique value which may include, without limitation, (i) books and records relating to operation, finance, accounting, sales, personnel and management, (ii) policies and matters relating particularly to operations such as customer service requirements, costs of providing service and equipment, operating costs and pricing matters, and (iii) various trade or business secrets, including customer lists, route sheets, business opportunities, marketing or business diversification plans, business development and bidding techniques, methods and processes, financial data and the like (collectively, the "Protected Information"). Executive therefore covenants and agrees that Executive will not at any time, either while employed by the Company or afterwards, knowingly make any independent use of, or knowingly disclose to any other person or organization (except as authorized by the Company) any of the Protected Information.

9. ENFORCEMENT OF COVENANTS.

- (a) TERMINATION OF EMPLOYMENT AND FORFEITURE OF COMPENSATION. Executive agrees that any breach by Executive of any of the covenants set forth in Section 8 hereof during Executive's employment by the Company, shall be grounds for immediate dismissal of Executive and forfeiture of any accrued and unpaid salary, bonus, commissions or other compensation of such Executive as liquidated damages, which shall be in addition to and not exclusive of any and all other rights and remedies the Company may have against Executive.
- (b) RIGHT TO INJUNCTION. Executive acknowledges that a breach of the covenants set forth in Section 8 hereof will cause irreparable damage to the Company with respect to which the Company's remedy at law for damages will be inadequate. Therefore, in the event of breach of anticipatory breach of the covenants set forth in this section by Executive, Executive and the Company agree that the Company shall be entitled to the following particular forms of relief, in addition to remedies otherwise available to it at law or equity; (i) injunctions, both preliminary and permanent, enjoining or restraining such breach or anticipatory breach and Executive hereby consents to the issuance thereof forthwith and without bond by any court of competent jurisdiction; and (ii) recovery of all reasonable sums expended and costs, including reasonable attorney's fees, incurred by the Company to enforce the covenants set forth in this section.
- (c) SEPARABILITY OF COVENANTS. The covenants contained in Section 8 hereof constitute a series of separate covenants, one for each applicable State in the United States and the District of Columbia, and one for each applicable foreign country. If in any judicial proceeding, a court shall hold that any of the covenants set forth in Section 8 exceed the time, geographic, or occupational limitations permitted by applicable laws, Executive and the Company agree that such provisions shall and are hereby reformed to the maximum time, geographic, or occupational limitations permitted by such laws. Further, in the event a court shall hold unenforceable any of the separate covenants deemed included herein, then such unenforceable covenant or covenants shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate

covenants to be enforced in such proceeding. Executive and the Company further agree that the covenants in Section 8 shall each be construed as a separate agreement independent of any other provisions of this Agreement, and the existence of any claim or cause of action by Executive against the Company whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any of the covenants of Section 8.

10. DISPUTES AND PAYMENT OF ATTORNEY'S FEES.

If at any time during the term of this Agreement or afterwards there should arise any dispute as to the validity, interpretation or application of any term or condition of this Agreement, the Company agrees, upon written demand by Executive (and Executive shall be entitled upon application to any court of competent jurisdiction, to the entry of a mandatory injunction, without the necessity of posting any bond with respect thereto, compelling the Company) to promptly provide sums sufficient to pay on a current basis (either directly or by reimbursing Executive) Executive's costs and reasonable attorney's fees (including expenses of investigation and disbursements for the fees and expenses of experts, etc.) incurred by Executive in connection with any such dispute or any litigation, (a) provided that Executive shall repay any such amounts paid or advanced if Executive is not the prevailing party with respect to any dispute or litigation arising under Sections 5c or 8 of this Agreement, or (b) regardless of whether Executive is the prevailing party in a dispute or in litigation involving any other provision of this Agreement, provided that the court in which such litigation is first initiated determines with respect to this obligation, upon application of either party hereto, Executive did not initiate frivolously such litigation. Under no circumstances shall Executive be obligated to pay or reimburse the Company for any attorneys' fees, costs or expenses incurred by the Company. The provisions of this Section 10 shall survive the expiration or termination of this Agreement and of Executive's employment hereunder.

11. WITHHOLDING OF TAXES.

The Company may withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

12. NON-DISCLOSURE OF AGREEMENT TERMS.

Executive agrees that Executive will not disclose the terms of this Agreement to any third party other than Executive's immediate family, attorney, accountants, or other consultants or advisors or except as may be required by any governmental authority.

13. SOURCE OF PAYMENTS.

All payments provided under this Agreement, other than payments made pursuant to a plan which provides otherwise, shall be paid from the general funds of the Company, and no special or separate fund shall be established, and no other segregation of assets made, to assure payment. Executive shall have no right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

14. ASSIGNMENT.

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns. This Agreement shall not be assignable by Executive, and shall be assignable by the Company only to any financially solvent corporation or other entity resulting from the reorganization, merger or consolidation of the Company with any other corporation or entity or any corporation or entity to or with which the Company's business or substantially all of its business or assets may be sold, exchanged or transferred, and it must be so assigned by the Company to, and accepted as binding upon it by, such other corporation or entity in connection with any such reorganization, merger, consolidation, sale, exchange or transfer (the provisions of this sentence also being applicable to any successive such transaction).

15. ENTIRE AGREEMENT; AMENDMENT.

This Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating to the terms of Executive's employment by the Company. It may not be amended except by a written agreement signed by both parties.

16. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of _____ applicable to agreements made and to be performed in that State, without regard to its conflict of laws provisions.

17. NOTICES.

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by registered or certified mail, return receipt requested, or by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company:

Waste Management, Inc.
1001 Fannin, Suite 4000
Houston, Texas 77002
Attention: Corporate Secretary

To Executive:

At the address for Executive set forth below

18. MISCELLANEOUS.

- (a) WAIVER. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) SEPARABILITY. Subject to Section 9 hereof, if any term or provision of this Agreement is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.
- (c) HEADINGS. Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.
- (d) RULES OF CONSTRUCTION. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.
- (e) COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

WASTE MANAGEMENT, INC.

By: _____
 Name: _____
 Title: _____
 Date: _____

EXECUTIVE

 Date: _____
 Address: _____

Waste Management, Inc.

Computation of Ratio Earnings to Fixed Charges
(in thousands, except ratios)
(unaudited)

	Years Ended December 31,		
	1998	1997	1996
Income (loss) from continuing operations before income taxes, undistributed earnings from affiliated companies, and minority interest	\$ (678,919)	\$ (609,024)	\$ 781,365
Fixed charges deducted from income:			
Interest expense	681,457	555,576	525,340
Implicit interest in rents	79,108	58,869	58,949
	760,565	614,445	584,289
Earnings available for fixed charges	\$ 81,646	\$ 5,421	\$1,365,654
Interest expense	\$ 681,457	\$ 555,576	\$ 525,340
Capitalized interest	41,501	51,376	56,873
Implicit interest in rents	79,108	58,869	58,949
Total fixed charges	\$ 802,066	\$ 665,821	\$ 641,162
Ratio of earnings to fixed charges	n/a (1)	n/a (2)	2.1x

(1) The ratio of earnings to fixed charges for 1998 was less than a one-to-one ratio. Additional earnings available for fixed charges of \$720,420,000 were needed to have a one-to-one ratio. The earnings available for fixed charges were negatively impacted by merger cost of \$1,807,245,000 and unusual items of \$864,063,000 related primarily to the mergers between Waste Management, Inc. and Waste Management Holdings, Inc. in July 1998, and Waste Management, Inc. and Eastern Environmental Services, Inc. in December 1998.

(2) The ratio of earnings to fixed charges for 1997 was less than a one-to-one ratio. Additional earnings available for fixed charges of \$660,399,000 were needed to have a one-to-one ratio. The earnings available for fixed charges were negatively impacted by merger costs of \$112,748,000 (primarily related to the United Waste Systems, Inc. merger in August 1997), and asset impairments and unusual items of \$1,771,145,000. The asset impairment and unusual items of \$1,771,145,000 primarily related to a comprehensive review performed by Waste Management Holdings, Inc. of its operating assets and investments.

WASTE MANAGEMENT, INC. SUBSIDIARIES

NAME -----	STATE OR COUNTRY OF INCORPORATION -----
1420 Chestnut Avenue Associates	NJ
1420 Chestnut Avenue LLC	NJ
40th Street, Inc.	FL
709292 Alberta Ltd.	AB
730810 Alberta Ltd.	AB
740922 Alberta Ltd.	AB
762570 Alberta Ltd.	AB
A..C.T.S. B.V.	NETHERLANDS
A.S.P.I.C.A. S.r.l.	ITALY
A-1 Compaction, Inc.	NY
Dbu United Waste Systems of West Michigan	
AB Gosta M. Skoglund	SWEDEN
Action Portables, Inc.	CA
Advanced Environmental Technical Services L.L.C.	DE
Affordable Recycling Systems, Inc.	NY
Afvalstoffen Terminal Mocrdijk B.V.	NETHERLANDS
Akron Regional Landfill, Inc.	OH
Alabama Waste Disposal Solutions, L.L.C.	AL
Alaska Landfills, Inc.	AK
Alliance Sanitary Landfill, Inc.	PA
All-Waste Recycling, Inc.	NY
All-Waste Systems, Inc.	NY
Amador County Environmental Services, Inc.	CA
American Landfill Gas Co.	OH
American Landfill, Inc.	OH
American Waste Control of New York, Inc.	NY
Anchorage Refuse, Inc.	AK
Anderson Landfill, Inc.	DE
Anderson-Cottonwood Disposal Services, Inc.	CA
Anthony Dally & Sons, Inc.	PA
APEX Waste Services, Inc.	PA
ARB Enterprises, Inc.	NY
Arden Landfill, Inc. (fka William H. Martin)	PA
Arrow Refuse, Inc.	AK
Art Spert Disposal, LLC	NY
Art-Jo Co.	NJ
Aseo S.A.	ARGENTINA
Atascadero Waste Alternatives, Inc.	CA
Atlantic of New York, Inc.	DE
Atlantic Transportation Services, Inc.	DE
Atlantic Waste Collection, Inc.	DE

Atlantic Waste Disposal, Inc.	DE
Automated Container Recovery, Inc.	CT
Automated Recycling Technologies, Inc. (25%)	NJ
Automated Salvage Transport, Inc.	CT
Auxiwaste SA (FRANCE)	FRANCE
Avenal Waste Alternatives, Inc.	CA
AW Bryant Ltd.	NEW ZEALAND
Azusa Land Reclamation Company, Inc. (fka American Sheds)	CA
B&E Cartage, Inc.	WV
B&L Disposal Co.	NV
B. Holmes (Graded Paper) Ltd.	UNITED KINGDOM
B.C. Environmental Enterprises, Inc.	OH
B.C.D. Disposal, Inc.	PA
Bad Bins Ltd.	NEW ZEALAND
Baltimore Environmental Recovery Group, Inc.	MD
Baltimore Refuse Energy Systems Company, Limited Partnership	
Bayside of Marion, Inc.	FL
Belpar Chemical Services, Inc.	WV
Bensinger, Inc.	TX
Big Valley Transport, Inc.	WV
Bio-Energy Partners	IL
Biosolids Reuse Management (JV)	CA
Blandfill, Inc. (fka United Waste Landfill of UT)	UT
Bluegrass Containment, Inc.	KY
Bolton Road Landfill, Inc.	DE
Boothscreek Sanitation, Inc.	WV
Bosarge & Edmonds Contractors, Inc.	MS
Db a Robo	
Boudin's Waste & Recycling, Inc.	MS
Braddon Enterprises, Inc.	WV
Brand Construction Services, Inc.	DE
Brazoria County Recycling Center, Inc.	TX
BCRC	
Brazoria County Recycling Center	
USA Brazoria County Landfill	
WRS Transfer Station	
Brem-Air Disposal, Inc.	OR
Brent Run Landfill, Inc.	DE
Bridgeport Resco Company L.P.	
Brushy Island Landfill, L.L.C.	DE
Burnsville Sanitary Landfill, Inc.	MN
C&D Sanitation and Recycling, LLC	CT
C&L Disposal Company, Inc.	CA
Caire's CKC Enterprises, Inc.	CA
Cal Sanitation Services, Inc.	CA
A-1 Sanitation	
Cal Sierra Disposal, Inc.	CA
Cal Sierra Transfer, Inc.	CA

California Asbestos Monofill, Inc.	CA
CAM	
California Waste Recycling Systems, Inc.	CA
California Waste Systems, Inc.	CA
Campbell Wells Norm Corporation	LA
Canadian Waste Services Holdings, Inc.	ON
Canadian Waste Services, Inc.	ON
635952 Ontario Inc.	ON
1263404 Ontario Inc.	ON
3368084 Canada Inc.	ON
Arthur Richer & Fils Inc.	ON
Bestan Inc.	ON
Key Disposal, LTD.	CDN
Intersan Inc.	CDN
Location Sanico Ltee	
Dechex Ltee	
Centre de Tri Transit (1) Inc./Transit	
Sorting Center (1) Inc.	
Canterbury Waste Services Ltd.	NEW ZEALAND
Capital Sanitation Company	NV
Caramella-Ballardini, Ltd.	NV
Cardinal Ridge Development, Inc.	OH
Carmel Marina Corporation	CA
Carolina Grading, Inc.	SC
CDF Consolidated Corporation	IL
Dba Rolling Kleen Disposal	
Dba Southern Illinois Transfer Station	
Cedar Hammock Refuse Disposal Corporation	FL
Waste Management of Manatee County	
Waste Management of Sarasota County	
Cedar Ridge Landfill, Inc.	DE
Central Disposal Systems, Inc.	IA
Central Missouri Landfill, Inc.	MO
Ceriani Cave	ITALY
Chadwick Road Landfill, Inc.	GA
Dba Chadwick Road Landfill	
Chambers Development Company, Inc.	DE
Monroeville Landfill	
North Huntington Hauling	
Chambers Enterprises, Inc.	PA
Chambers International, Inc.	DE
Chambers Development Europe B.V.	FOR
Chambers Europe B.V.	FOR
Chambers Medical Technologies of South Carolina, Inc.	SC
MedTec	
Medical Technologies	
Chambers Medical Technologies, Inc.	PA
Chambers of Delaware, Inc.	DE
Chambers of Massachusetts, Inc.	MA
Chambers of Mississippi, Inc.	MS
Chambers of New Jersey, Inc.	NJ
Chambers Services, Inc.	NY

Chemical Waste Management de Mexico, S.A. de C.V.	MEXICO
Chemical Waste Management Ltd.	NEW ZEALAND
Chemical Waste Management of Indiana, L.L.C.	DE
Chemical Waste Management of New Jersey, Inc.	NJ
Chemical Waste Management of Pennsylvania, Inc.	DE
Chemical Waste Management of the Northwest, Inc.	WA
Chemical Waste Management, Inc.	DE
Trade Waste Incineration	
Chem-Nuclear Systems, LLC	DE
Cheshire Sanitation, Inc.	NH
Harris Trucking	
Tri-State Rubbish	
Chesser Island Road Landfill, Inc.	GA
Chiquita Canyon Landfill, Inc. (fka Laidlaw W. S. (Chiquita)	CA
CID Landfill, Inc.	NY
CID MRRF, Inc.	DE
CID Refuse Service, Inc.	NY
City Disposal Services, Inc.	DE
City Environmental Services Landfill, Inc. of Florida	FL
City Environmental Services Landfill, Inc. of Hastings	MI
City Environmental Services of West Michigan	
City Express	
Hastings Sanitary Service	
Lubbers Resource Systems	
City Environmental Services Landfill, Inc. of Lapeer	MI
Pioneer Rock Landfill	
City Environmental Services Landfill, Inc. of Panama City	MI
City Environmental Services Landfill, Inc. of Saginaw	MI
Saginaw Valley Landfill	
City Environmental Services, Inc. of Arecibo	MI
City Environmental Services, Inc. of Mid-Michigan	MI
CES-Saginaw	
CES- West Branch	
City Express	
City Environmental Services, Inc. of Northern Michigan	MI
City Express	
City Environmental Services, Inc. of Romulus	MI
City Express	
Seagate Recycling	
Seagate Sanitation Services	
City Environmental Services, Inc. of Waters	MI
City Environmental, Inc.	DE
City Management Corporation	MI
Adam Refuse	
Brent Run	
CES - Montrose	
City Disposal System	
City Environment	
City Environmental Contracting	
City Environmental	
City Environmental Services East	
City Environmental Services of Montrose	
City Environmental Services of Joliet	
City Equipment Company	

City Express
 City Liquid Treatment and Processing
 City Municipal Services
 City Recycling Center
 City Sand & Landfill
 City Waste Systems
 D&J Refuse Company
 G&G Disposal
 Gary's Disposal
 J.L. Smith Refuse Service
 M&M Contracting of Michigan
 M&M Holding Company, Inc.
 Metro Waste Systems
 Michigan City Management Corporation
 Moore's Disposal
 People's Garbage
 People's Garbage Disposal
 People's Garbage Disposal of Midland/Gladwin
 Pollard Disposal
 Premier Steel
 Raska Disposal
 Seymour Road Demolition
 Seymour Road Landfill
 Soave-Volpe Hauling
 Trashbusters Transfer Station, Ltd.
 United Machinery Movers and Erectors
 Universal Waste & Transit
 Whitefeather Development Company

Clarfield Recycling Ltd.	UNITED KINGDOM
Clayton-Ward Company, Inc.	CA
Clearview Environmental Landfill, Inc.	MS
Cleburne Landfill Company Corp.	AL
Cleburne Landfill Corporation	MI
Clements Waste Services, Inc.	PA
Cloverdale Disposal, Inc.	CA
CNS Holdings, Inc.	DE
CNSI Sub, Inc.	DE
Coast Waste Management, Inc.	CA
Cocopah Landfill, Inc. (fka Southern Sanitation, Inc.)	CA
Codemonte Srl	ITALY
Colorado Landfill, Inc.	DE
Columbia County Drop Off Box, Inc.	OR
Forest Grove Disposal Service	
AC Trucking	
Colusa Solid Waste & Recycling, Inc.	CA
Conduca Srl	ITALY
Connecticut Valley Sanitary Waste Disposal, Inc.	MA
Conservation Services, Inc.	CO
Container Recycling Alliance, L.P.	DE
Contractor Container Corporation	MI
Copper Mountain Landfill, Inc. (fka Copper State Recycling)	AZ
Corgest Srl	ITALY
Corning Disposal Service, Inc.	CA

Corti Fillippo Spa	ITALY
Coshocton Landfill, Inc.	OH
Cougar Landfill, Inc. (fka Cougar Holdings)	TX
Countryside Landfill, Inc.	IL
County-Wide Disposal, Inc.	CA
Cunningham Properties Limited	ONTARIO
Cuyahoga Landfill, Inc. (fka CRSL)	DE
CWM Cement, Inc.	DE
CWM Chemical Services, L.L.C.	DE
CWM Resource Recovery, Inc.	OH
D&D Container Services Company, Inc.	UT
Dafter Sanitary Landfill, Inc.	MI
Dakota Landfill, Inc. (fka Big Dipper Enterprises)	ND
Dakota Resource Recovery, Inc.	MN
United Waste Transfer	
Dauphin Meadows Landfill, Inc.	PA
Davie Disposal Systems, Inc.	NE
Decker Disposal, Inc.	FL
Deep Valley Landfill, Inc.	DE
Deer Track Park Landfill, Inc. (fka Sanifill of WI, Inc.)	DE
Advance Service Corp.	
DeLand Landfill, Inc.	DE
Delaware Recyclable Products, Inc.	DE
Deponie Bentheim Entsorgung Verwaltungsgesellschaft mbH	GERMANY
Dickinson Landfill, Inc.	DE
Disposal Service, Inc.	NV
Disposal Services Medical Waste	
Disposal Service, Inc.	WV
Diversified Scientific Services, Inc.	TN
Domenick Pucillo Disposal, Inc.	NJ
Donno Company, Inc.	NY
Drake's Sanitation, Inc.	AK
Duluth Waste Marketing, Inc.	MN
Durachem Limited Partnership	MD
Eager Beaver Sanitary Service, Inc.	OR
Earthcorp, L.L.C.	DE
Earthmovers Landfill, L.L.C.	DE
East Columbia C&D Landfill, Inc.	SC
(fka TNT Sands, Inc.)	
East Liverpool Landfill, Inc.	OH
Eastern Container Corporation	DE
Eastern Environmental Services of Florida, Inc.	FL
Eastern Environmental Services of Indiana, Inc.	DE
Eastern Environmental Services, Inc.	DE
Eastern of Georgia, Inc. (formerly Pearlless Waste Industries)	DE
Eastern Recycling of NJ, Inc.	DE
Eastern Transfer of New York, Inc.	DE

Eastern Waste of Bethlehem, Inc.	DE
Eastern Waste of LI, Inc.	DE
Eastern Waste of New York, Inc.	DE
Eastern Waste of NJ, Inc.	DE
Eastern Waste of Pennsylvania, Inc.	DE
Eastern Waste of West Virginia, Inc.	DE
EC Waste, Inc.	PR
Eco West Corporation	MT
Ecoadda	ITALY
Ecocamuna Spa	ITALY
Ecocentro s.p.a.	ITALY
Eco-Consult s.r.l.	ITALY
Ecol S.A.	ARGENTINA
Ecologia meridionale Srl	ITALY
Ecologica Srl	ITALY
Ecology Systems, Inc.	NJ
Ecolombardia 21 Srl	ITALY
Ecopi Srl	ITALY
Ecoserve Limited	HONG KONG
Ecoservice Srl	ITALY
Ecoservizi S.p.A.	ITALY
Ecovision B.V.	NETHERLANDS
EESI Charter, Inc.	DE
Egdemere Development, Inc.	NY
Eksjo Rehallning AB	SWEDEN
El Coqui de San Juan	PR
El Coqui Landfill Company, Inc.	PR
El Coqui Waste Disposal, Inc.	DE
El Coqui Waste Disposal, Inc.	PR
EC Waste, Inc.	PR
El Dorado Disposal Service, Inc.	CA
Elk River Landfill, Inc.	MN
Elme Transport AB	SWEDEN
EMICA S.r.l.	ITALY
EMIG Trailer Sales, Inc.	PA
Empire Wrecking Corporation	NJ
Envirofil, Inc.	DE
Enviroland, Incorporated	MI
Environmental Control, Inc.	NM
Environmental Management Systems, Inc. (MI) Sumpter II Corp.	MI
Environmental Technologies China Ltd.	HONG KONG
Environmental Transfer Corp.	NJ
Environmental Transfer Corporation	DE
Enviropace Ltd.	HONG KONG
Equipment Credit Corporation	DE
ERC Landfill, Inc. (fka Environmental Restoration)	OH

ESG Entsorgungswirtschaft Soest GmbH	GERMANY
Esposito Srl	ITALY
Ever Ready Drop Box	CA
Evergreen Landfill, Inc.	DE
Farmer's Landfill, Inc.	MO
Feather River Disposal, Inc.	CA
Fernley Disposal, Inc.	NV
Churchill County Refuse Service	
Fernley Sanitation	
FFF, Inc.	MN
Fibre Fuel Limited	UNITED KINGDOM
First Waste Ltd. (Guernsey)	UNITED KINGDOM
Fourth Avenue Holdings	FL
Frank Stamato & Co.	NJ
Freeth & Brocks Bins Ltd.	NEW ZEALAND
Front Range Landfill, Inc. (fka Sanifill of CO)	DE
Best Trash	
City Disposal	
ERD Landfill	
Franklin Street Transfer	
Frontier Environmental, Inc.	FL
Future-Tech Environmental Services, Inc.	CA
G.C. Environmental, Inc.	TX
G.I. Industries, Inc.	UT
G.S.A. Scarl Srl	ITALY
GA Landfills, Inc.	DE
Gallia Landfill, Inc.	DE
Garnet of Maryland, Inc.	MD
Gebr. Van Vliet B.V.	NETHERLANDS
Gedis Srl	ITALY
General Nuclear Systems, Inc.	DE
General Sanitation Corporation	FL
Georgia Waste Systems, Inc.	GA
B.J. Recycling and Disposal Facility	
Chapman Waste Disposal	
Rolling Hills Recycling and Disposal Facility	
Waste Management of Augusta- Aiken	
Waste Management of Atlanta	
Waste Management of Macon	
GES Gesellschaft zur Entdorgung von Sekundaerrohstoffen mbH	GERMANY
Gesam Gestione Servizi Ambientali S.p.A.	ITALY
Gestion Des Rebutis D.M.P. Inc.	QUEBEC
WMI Mauricie Bois- Franc	
WMI Parc Hirondelles	
Gestioni Ambientali, Srl	ITALY
GI Industries, Inc.	UT
Glegg Industries, Inc.	ONTARIO
Glenn County Disposal Service, Inc.	CA
Glen's Sanitary Landfill, Inc.	MI
Graham Road Recycling & Disposal Facility, Inc. (Sanifill of WA)	WA

Grand Blanc Landfill, Inc.	MI
Grand Central Sanitary Landfill, Inc.	PA
Greater Manchester Sites Ltd.	UNITED KINGDOM
Green Valley Landfill Limited	HONG KONG
Greenfield WMI Transfer Limited	HONG KONG
Greenhills Landfill Restoration Limited	HONG KONG
Grupo WMX, S.A. De C.V.	MEXICO
Guang Jia Environmental Protection Co. Ltd.	HONG KONG
Guyan Transfer and Sanitation Service, Inc.	WV
H.B.J.J., Incorporated	CA
H.S.S. Inc.	NJ
Ham Lake Haulers, Inc.	MN
Hamm's Sanitation, Inc.	NJ
Harford Disposal, Inc.	MD
Harper Employment Services, Inc.	MI
Harris Sanitation, Inc.	FL
Harwood Landfill, Inc. (fka PST Reclamation)	MD
Hedco Landfill Limited	UNITED KINGDOM
Hillsboro Landfill, Inc.	OR
Hillside Maintenance Corporation	NJ
Hite Construction, Inc.	AK
Hollander Industriediensten Amsterdam BV	NETHERLANDS
Hollister Disposal, Inc.	CA
Holyoke Sanitary Landfill, Inc.	MA
Hoot Landfill, L.L.C.	DE
Hudson Jersey Sanitation Co.	NJ
Ibka Miljoservice A/S	DENMARK
Ichochema B.V.	NETHERLANDS
Icopower B.V.	NETHERLANDS
Icosloop B.V.	NETHERLANDS
Icotech	NETHERLANDS
Icova B.V.	NETHERLANDS
Icova Maltha Glasracylcing B.V.	NETHERLANDS
IGM S.p.A.	ITALY
IN Landfills, L.L.C.	DE
Independent Disposal Services, Inc.	CA
Independent Sanitation Company Incline Sanitation	NV
Interport Paper Company Limited	UNITED KINGDOM
Interstate Recycling Corporation	NJ
IRA S.r.l.	ITALY
J Bar J Land, Inc.	NE
J&S Sanitation, Inc.	PA
J. van Loenen en Zonen B.V.	NETHERLANDS
Jaarstveld Groen En Milieu B.V.	NETHERLANDS
Jahner Sanitation, Inc.	ND
Jay County Landfill, L.L.C.	IN

Jefferson County Landfill, L.L.C.	DE
John B. & Sons, Inc.	NJ
John Smith Landfill, Inc.	CA
Johnson Canyon Road Disposal Site, Inc.	CA
Jolon Road Landfill Corporation	CA
Jones Sanitation, L.L.C.	DE
Junker Sanitation Services, Inc.	MN
United Waste Systems of Minnesota	
Jydsk Miljioservice A/S	DENMARK
K and W Landfill, Inc.	MI
KAB-WMI Sdn. Bhd	MALAYSIA
Kahle Landfill, Inc.	MO
Keene Road Landfill, Inc.	FL
Kelley Run Hauling, Inc.	DE
Kelly Run Sanitation, Inc.	PA
Kennedy & Donkin (Middle East) Limited	CYPRUS
Kennedy & Donkin Africa (Botswana) Partnership	BOTSWANA
Kennedy & Donkin Africa (Malawi) Partnership	MALAWI
Kennedy & Donkin Building Services Limited	UNITED KINGDOM
Kennedy & Donkin Generation & Industrial Limited	UNITED KINGDOM
Kennedy & Donkin Information Systems Ltd.	UNITED KINGDOM
Kennedy & Donkin International Ltd.	HONG KONG
Kennedy & Donkin Ltd.	UNITED KINGDOM
Kennedy & Donkin Malaysia Ltd.	DE
Kennedy & Donkin Overseas Ltd.	UNITED KINGDOM
Kennedy & Donkin Power Ltd.	UNITED KINGDOM
Kennedy & Donkin Quality Engineering	UNITED KINGDOM
Kennedy & Donkin Systems Control Ltd.	UNITED KINGDOM
Kennedy & Donkin Transportation Ltd.	UNITED KINGDOM
Ken's Pickup Service, Inc.	MI
United Waste Systems of Northern Michigan	
Kershaw County Landfill, Inc.	SC
(fka USA Waste Kershaw County, Landfill, Inc.)	
Kimmins Recycling Corporation	FL
King George Landfill, Inc. (fka Garnet of VA)	VA
Klamath Disposal, Inc.	OR
Klok Containers B.V.	NETHERLANDS
Knutson Material Recovery Facility, Inc.	MN
Knutson Services, Inc.	MN
Knutson Kleen Sweep	
L&K Debris Box Service	CA
L & K Disposal	
L&M Landfill, Inc.	DE
Laidlaw Waste Systems (Valley View), L.L.C.	DE
Land Reclamation Company, Inc.	DE
Kestrel Hawk Park Landfill	
Landfill of Union County, L.L.C.	DE
Landfill Services of Charleston, Inc. (fka WVA Waste Services)	WV
Landfill Systems, Inc.	NM

Landfill Systems	
Larry's Sanitary Service, Inc.	CA
Lassen Waste Lines, Inc.	CA
Lassen Waste Systems, Inc.	CA
Laurel Highlands Landfill, Inc.	PA
Laurel Ridge Landfill, L.L.C.	DE
LCS Services, Inc.	WV
LCS Landfill	
North Mountain Landfill	
Leroy Brown Landfill, Inc. (fka Envirofil of IL)	IL
Lewis Road Disposal Site, Inc.	CA
LFG Production (Partnership)	DE
LG-Garnet of Maryland JV	DC
(LG Industries, Inc. owns 50 % and LG-Garnet of Maryland Joint Venture owns 50%)	
DC U line Transfer	
Liberty Landfill, L.L.C.	DE
Liquid Waste Management, Inc.	CA
Living Earth Joint Venture Company Ltd.	NEW ZEALAND
Ljungby Renhallning & Transport AB	SWEDEN
Ljusne Renhallnings AB	SWEDEN
Local Sanitation of Rowan County, L.L.C.	DE
Lo-Cost Waste Disposal, Inc.	ALBERTA
Lodi Sanitary City Disposal Co., Inc.	CA
Longview Group, Inc.	DE
Longview of Buchanan County, Inc.	MO
Longview of Kansas City, Inc.	MO
Longview of Livingston County, Inc.	MO
Longview of Mercer County I, Inc.	NJ
Longview of Mercer County, Inc.	NJ
Longview of Mid-Missouri, Inc.	MO
Longview of Ocean County, Inc.	NJ
Longview of Pettis County, Inc.	MO
Longview of St. Joseph, Inc.	MO
Loristan Services Limited	UNITED KINGDOM
M&O Waste Management Limited Partnership	IL
M.P.S. Medical Package Service srl	ITALY
M.S.T.S. , Limited Partnership	DE
M.S.T.S., Inc.	DE
Maack Enterprises	NV
Mahoning Landfill, Inc.	OH
Malardalens Tankservice AB	SWEDEN
Manliba SA	ARGENTINA
Maplewood Landfill, Inc. (fka Chambers Energy)	VA
Marangi Brothers, Inc.	NJ
Mashor & Reym Charters Sdn. Bhd Brunei	NETHERLANDS
Mashor Reym Sdn Shd Malaysia	NETHERLANDS
Mashr & Reym Charters Sdn Bhd	BRUNEI

Massachusetts Refusetech, Inc.	DE
McDaniel Landfill, Inc.	ND
McGinnes Industrial Maintenance Corp.	TX
Meadowfill Landfill, Inc.	DE
Megastock, Ltd.	UNITED KINGDOM
Michigan Environs, Inc.	MI
United Waste Systems of Menominee	
Mid Valley Portable Storage, Inc.	CA
Middle Island Enterprises, Inc.	WV
Middlemass Holdings Pty Limited	AUSTRALIA
Middlemass Industrial Services Pty Limited	AUSTRALIA
Midwest Transport, Inc.	WI
Minneapolis Refuse, Incorporated (23.826%-owned)	MN
Missouri Disposal Partners, L.P.	IL
M-L Commercial Garbage Service, Inc.	WV
M-Land Corp	NY
Monmouth Processing Company	NJ
Moor Refuse, Inc.	CA
Mountain Indemnity Insurance Company	VT
Mountainview Landfill, Inc. (fka Chambers of MD)	MD
MSTS. Lizenz GmbH	GERMANY
Mull Entsorgung West GmbH & Co. KG	GERMANY
Mull Entsorgung West Verwaltungs GmbH	GERMANY
Municipal Waste and Service Corp.	MI
Napa Garbage Service, Inc.	CA
Napa Valley Disposal Service, Inc.	CA
Nassjo Renhallning AB	SWEDEN
National Guaranty Insurance Company	VT
National Seal Company	IL
Neal Road Landfill Corporation	CA
Neotec Srl	ITALY
Nevada City Garbage Service, Inc.	CA
Nevada County Transfer, Inc.	CA
New England CR, Inc.	MA
New Milford Landfill, L.L.C.	DE
NH/VT Energy Recovery Corporation	NH
Nichols Sanitation, Inc.	FL
Lake Placid Sanitation	
North Broward County Resource Recovery Project, Inc.	FL
North Broward Holdings, Inc.	DE
North Hennepin Recycling & Transfer Corporation	MN
North Valley Disposal Service, Inc.	CA
Northeast Hauling Company, Inc.	NJ
Northeast Waste Systems, Inc.	CT
Northern Recycling, Inc.	NY
Northwestern Landfill, Inc.	DE
Norwaste Limited	UNITED KINGDOM

Norwaste, Inc.	AK
NRT Realty Corp.	NY
NSC Corporation	MA
NSC Sales Corp	VA
Nu-Way Live Oak Landfill, Inc. (fka Sanifill of CA)	DE
NYOFCO Holdings, Inc.	DE
O.V.E.R. s.r.l.	ITALY
Oak Grove Landfill, Inc.	DE
Oakridge Landfill, Inc. (fka Chambers Oakridge LF)	SC
Oakwood Landfill, Inc. (fka Pinewood Recycling)	SC
Ocean Combustion Service, B.V.	NETHERLANDS
OHM Corporation	OH
Oil & Solvent Process Company	CA
Okeechobee Landfill, Inc. (fka Chambers W.S. of FL)	FL
Olney Sanitary System, Inc.	IL
Olshan Demolishing Company, Inc.	TX
Olson's Sanitation Service, Inc.	WA
Olympic View Sanitary Landfill, Inc.	WA
Orange County Landfill, Inc. (fka Chambers Orange Co. LF)	FL
Ormsby Sanitary Landfill, Inc.	NV
P.I.T.E.F. S.r.l.	ITALY
Pacific Environmental Partners	NEW ZEALAND
Pacific Waste Alternatives, Inc.	CA
Pacific Waste Management Holdings Pty. Limited.	AUSTRALIA
Pacific Waste Management Ltd.	NEW ZEALAND
Pacific Waste Management Pte. Ltd.	SINGAPORE
Pacific Waste Management Pty Limited	AUSTRALIA
Palo Alto Sanitation Company	CA
Paper Recycling International, L.P.	DE
Pappy, Inc.	MD
Paradise Solid Waste Systems, Inc.	CA
Pearl Delta WMI Limited	HONG KONG
Peerless Landfill Company	FL
Peninsula Sanitation, Inc.	AK
Penn Warner Club, Inc.	DE
Pen-Rob, Inc.	AZ
Penuelas Valley Landfill, Inc.	PR
People's Landfill, Inc.	DE
Peterson Demolition, Inc.	MN
Phoenix Resources, Inc.	PA
Photodigit Ltd.	UNITED KINGDOM
Piacenza Amb. Srl.	ITALY
Pikes Point Transfer Station Ltd.	NEW ZEALAND
Pilmuir Waste Disposal Limited	UNITED KINGDOM

Pine Bluff Landfill, Inc. (fka Sanifill/Pine Bluff LF)	GA
Pine Grove Hauling, Inc.	PA
Pine Grove Landfill, Inc.	DE
Pine Grove Landfill, Inc.	PA
Pine Grove, Inc.	DE
Pine Ridge Landfill, Inc.	DE
Pine Tree Acres, Inc.	MI
S&V Disposal	
PPK Environmental & Infrastructure Pty. Ltd.	AUSTRALIA
Practical Recycling Systems Ltd.	UNITED KINGDOM
Progesam Ecosistemi Srl	ITALY
PT Prtasada Painunah Limbah Industri	INDONESIA
PT Waste Management Indonesia	INDONESIA
Public Sanitary Service, Inc.	OR
Pucillo and Companies Environmental Recovery, Inc.	NJ
Pulaski Grading, Inc.	KY
Pullman Chimney of Canada Ltd.	CANADA
Pullman Power Products Corporation	DE
Pullman Power Products International Corporation	DE
Pullman Power Products of Canada Limited	CANADA
Pullman Power Products of Ohio, Inc.	OH
PWMH Affiliates Superannuation Fund Pty Limited	AUSTRALIA
Quail Hollow Landfill, Inc.	DE
R A Johnson (Hauliage) Ltd.	ENGLAND
R&A Bender, Inc.	PA
R&B Landfill, Inc. (fka Chambers R&B LF)	GA
R.S.W. Recycling, Inc.	NV
RA Johnson (Haulage) Ltd.	UNITED KINGDOM
Rail-Cycle L.P.	CA
Randers Omlast Aps	DENMARK
RCC Fiber Company, Inc.	DE
RCI Hudson, Inc.	MA
United Waste Systems of Hudson	
RECO Venture, L.P. (45%)	DE
Recuperi Piemontesi Srl	ITALY
Recycle & Recover, Inc.	GA
Recycle New Zealand Ltd.	NEW ZEALAND
Recycling Works, Inc.	PA
Re-Cy-Co, Inc.	MN
United Waste Transfer	
Red Bluff Disposal, Inc.	CA
Redwood Landfill, Inc.	DE
Refuse Disposal, Inc.	WV
Refuse Removal Systems, Inc.	CA
Refuse Services, Inc.	FL
Clay County Recycling and Disposal Facility	
Jacksonville Waste Control	
Refuse, Inc.	NV

Sage Street Transfer Station	
Stead Street Transfer Station	
Regin B.V.	NETHERLANDS
Regional Recycling Corporation	NJ
Regional Recycling, Inc.	NY
REI Holdings, Inc.	DE
Reliable Landfill, L.L.C.	DE
Reliable Trash Hauling, Inc.	FL
Remote Landfill Services, Inc.	TN
Reno Disposal Co.	NV
Reno Sanitation Company	
Sparks Sanitation	
Renovadan Miljoservice A/S	DENMARK
Rent-a-Weld (Wirral) Ltd.	UNITED KINGDOM
Resco Holdings, Inc.	DE
Residential Services, Inc.	NY
Residuals Processing, Inc.	CA
Residuos Industriales Multiquim, S.A. de C.V.	MEXICO
Resource Control Composting, Inc.	MA
Resource Control, Inc.	MA
Reuter Recycling of Florida, Inc.	FL
Reym B.V.	NETHERLANDS
Reym GmbH	NETHERLANDS
Richland County Landfill, Inc. (fka Chambers Richland Co. LF)	SC
Ridge Generating Station Limited Partnership	
Ri-Eco S.r.l.	ITALY
RIH Inc.	DE
Riley Energy Systems of Lisbon Connecticut Corp.	CT
Riley Energy Systems of Lisbon Corporation	DE
RIS Risk Management Inc.	DE
Riverbend Landfill, Inc.	OR
Rolling Meadows Landfill, L.L.C.	DE
Ross County Landfill, Inc.	DE
RRT Design & Construction Corp	DE
RRT Empire Returns Corp. of Monroe County, Inc.	NY
RRT of Broome, Inc.	DE
RRT of New Jersey, Inc.	NJ
RRT of Pennsylvania, Inc.	PA
RRT of Philadelphia, Inc.	DE
RRT Plastics Corporation	DE
RRT Recycling Associates of North Carolina, Inc.	NC
RRT-Recycle America, Inc.	DE
RTS Landfill, Inc. (fka Sanifill of GA)	DE
Del Mar Virginia District	
Plant Atkinson Transfer Station	
South Side Sanitation	
Starr Tranfer Station	
Rudolph Beck & Sohne Aktiengesellschaft	AUSTRIA
Rural Dispos-all Service, Inc.	CA

Rust Capital Corporation	DE
Rust China Ltd	DE
Rust Controldua, S.A. De C.V.	MX
Rust Engineering & Construction Inc.	DE
Rust Federal Environmental Services Inc.	DE
Rust Industrial Cleaning Inc.	DE
Rust International Holdings Inc.	DE
Rust International Inc.	DE
Rust JRP Pty Ltd.	SINGAPORE
Rust Limited	UNITED KINGDOM
Rust North America Holdings Inc.	DE
Rust Remedial Services Holding Company Inc.	DE
Rust Sweden Holdings A B	SWEDEN
S&J Landfill, Limited Partnership	TX
S&L Total Waste Systems, Inc.	NV
S&S Grading of Illinois, Inc.	IL
S&S Grading, Inc.	WV
S.A.P. s.p.a.	ITALY
S.A.R.I. S.p.A.	ITALY
S.A.R.I. spa	ITALY
S.A.S.P.I. S.p.A.	ITALY
S.I.R.T.I.S. s.r.l.	ITALY
S.P.E.M. S.p.A.	ITALY
S.V. Farming Corp.	NJ
Sa Ge Ter Spa	ITALY
Sacagica s.r.l.	ITALY
Sacramento Valley Environmental Waste Company	CA
Saframa S.A.	ARGENTINA
Sakab Batteri B	SWEDEN
Salinas Disposal Service, Inc.	CA
Saline County Landfill, Inc.	IL
Salutec, S.A.	ARGENTINA
Sanifill Canada, Inc.	CDN
Sanifill de Mexico (US), Inc.	DE
Sanifill de Mexico, S.A. de C.V.	MX
AceVerde S.A. de C.V.	MX
AceVerde Servicios, S.A. de C.V.	MX
Sanifill Forest Products, Inc.	CA
Sanifill of Florida, Inc.	FL
Sanifill of Hawaii, Inc.	DE
Sanifill of San Juan, Inc.	PR
El Coqui de San Juan (JV Partnership) (PR) (50% by EC Inc. and 50% by Sanifill of San Juan, Inc.)	
Sanifill of Tennessee Hauling, Inc.	TN
Sanifill of Tennessee, Inc.	DE
Sanifill of Texas Hauling, Inc.	TX
Sanifill Power Corporation	DE
RECO Ventures, L.P. (DE) (49% owned by Sanifill Power Corporation)	

Sanifill, Inc.	DE
Frontier Recycling	
Orange Soil Cement	
Orange Transportation	
Orange Trucking	
Orange Waste Landfill	
Orange Waste Transfer Station	
Pine Ridge Landfill	
SC Holdings, Inc.	PA
L&D Landfill	
Sanitary Landfill	
SCA Services, Inc.	DE
Mohawk Valley Sanitary Landfill	
SCS Contractors Ltd.	UNITED KINGDOM
Serecol Srl	ITALY
Servizi Piemonte S.r.l.	ITALY
SES Connecticut Inc.	DE
SF, Inc.	DE
Southern Services of TN, LLC (TN) (50% owned by SF, Inc.)	
Shade Landfill, Inc.	DE
Shereg Schleswig Holsteinische Entsorgung u. Recycling GmbH	GERMANY
Shore Disposal, Inc.	VA
Shoreline Disposal, Inc.	CA
SIE Srl	ITALY
Sierra Estrella Landfill, Inc. (fka USA of Pinal County) (D)	AZ
Signal Capital Sherman Station Inc.	DE
Signal RESCO, Inc.	DE
Sir-Mas Srl	ITALY
Skaraborgs Energi-Och Mijo AB	SWEDEN
SMC Smaltimenti Controllati S.p.a.	ITALY
Smyrna Landfill, Inc. (fka Chambers Smyrna LF)	GA
Sofind Srl	ITALY
Solna Transport & Renhallning AB	SWEDEN
Sonoma Marin Waste Management, Inc.	CA
Sonoma West Marin Recycling, Inc.	CA
South Broward County Resource Recovery Project, Inc.	FL
South Broward Holdings Inc.	DE
South China WMI Transfer Limited	HONG KONG
Southern Alleghenies Landfill, Inc.	PA
Altoona Transfer Station	
American Recycling	
Southern Plains Landfill, Inc.	OK
Southern Services of TN, L.L.C.	TN
Southern Services of TN, L.P. (50/50 w/Sanifill)	TN
Southern Waste Services, L.L.C.	DE
Specialized Recycling Technologies	NJ
Spruce Ridge Landfill, Inc.	MN
Spruce Ridge, Inc.	MN
Star Sanitation Services, Inc.	AK

Stockton Scavengers Association	CA
Storey County Sanitation, Inc.	NV
Strawser Disposal Services, Inc.	PA
Suffolk Waste Systems, Inc.	NY
Summit Environmental Group, Inc.	PA
Summit Transport Group, Inc.	PA
Sun Waste Alternatives, Inc.	CA
Super Kwik, Inc.	PA
Svensk Avfallskonvertering AB	SWEDEN
Swindell-Dressler Energy Supply Company	DE
Swindell-Dressler Leasing Company	DE
Sylvan & Qvibelius AB	SWEDEN
Sylvans Kemiteknik AB	SWEDEN
T. R. Walters Investments, Inc.	CA
Tactical Management, Inc.	NJ
Techim S.r.l.	ITALY
The H. Sienknecht Company	TN
The Rust Engineering Company of Michigan	MI
The Woodlands of Van Buren, Inc.	DE
Thoroughbred Leasing, Inc.	PA
TMS Recycling, Inc.	NV
Tonitown Landfill, L.L.C.	DE
Town & Country Refuse, Inc.	FL
Port-0-Let	
Tra. S.E. s.p.a.	ITALY
Trade & Domestic Ltd.	NEW ZEALAND
Trade Domestic (1997) Ltd.	NEW ZEALAND
Trail Ridge Landfill, Inc.	FL
Transamerican Environmental, Inc.	FL
Transamerican Waste Central Landfill, Inc.	DE
TransAmerican Waste Industries of Alabama, Inc.	AL
Transamerican Waste Industries of Ohio, Inc.	DE
Transamerican Waste Industries of Southeast, Inc.	DE
Transamerican Waste Industries, Inc.	DE
Transamerican Waste of Houston, Inc.	TX
Transmetro SA	ARGENTINA
Transportbedrijf Van Bliet B.V.	NETHERLANDS
Transpsro, Inc.	NJ
TransWaste, Inc.	LA
Trash Hunters of Tunica, Inc.	MS
Trash Hunters, Inc.	MS
Trepic SA	ARGENTINA
Tri-County Sanitary Landfill, L.L.C.	DE
Tri-State Recycling & Fibers, Inc.	NJ
TVG Transport u. Verwertungsgesellschaft	GERMANY
Twin City Sanitation, Inc.	MN
Tyneside Waste Paper Co Ltd.	UNITED KINGDOM

UK Waste Management Limited	UNITED KINGDOM
Ulster County Roll-Offs, Inc.	NY
Ulster Sanitation, Inc.	NY
United Waste Systems Leasing, Inc.	MI
United Waste Systems of Gardner, Inc.	MA
United Waste Systems of Iowa, Inc.	IA
United Waste Systems of Maine, Inc.	DE
United Waste Systems of Minneapolis, Inc.	MN
United Waste Systems of Minnesota, Inc.	MN
Bellaire Sanitation	
Gallagher's Service	
J.J. Young Rubbish	
Lake Sanitation	
Mike's Disposal and Recycling Service	
UWS	
UWT	
United Waste Systems of Oneway, Inc.	MI
United Waste Systems of the Eastern UP, Inc.	MI
United Waste Systems of Trinity County, Inc.	CA
United Waste Systems, Inc. (MI)	MI
United Waste Systems, Inc. (MN)	MN
Mike's Disposal & Recycling Service	
United Waste Transfer, Inc.	MN
Universal Assurance Corporation	VT
USA Crinc, Inc.	DE
USA Landfills of Nevada, Inc.	NV
USA South Hills Landfill, Inc.	PA
USA Valley Facility, Inc.	DE
USA Waste Arizona Landfill, Inc. (fka Sanifill of AZ)	DE
USA Waste Geneva Landfill, Inc. (fka Sanifill of OH)	OH
USA Waste of Ashtabula	
USA Waste Hauling of Philadelphia, Inc.	DE
USA Waste Industrial Services, Inc.	TX
USA Environmental Services	
USA Waste Landfill Operations and Transfer, Inc. (fka Sanifill...)	TX
USA Waste- Management Resources, L.L.C.	NY
USA Waste of Alaska, Inc.	DE
USA Waste of California, Inc.	DE
USA Waste of Connecticut, Inc.	DE
USA Waste of DC, Inc. (fka LG Industries, Inc.)	DC
USA Waste of Illinois, Inc. (fka USA Illinois Newco)	IL
USA Waste of Kentucky, L.L.C.	DE
USA Waste of Maryland, Inc. (fka Sanifill of MD)	MD
A.R.D. Equipment, Inc.	
ARD Equipment Leasing Co., L.L.C.	
Debris Disposers, Ltd.	
Lowery's Trash Removal & Services	
USA Waste of Massachusetts, Inc.	MA
Westcott Disposal	
USA Waste of Michigan, Inc. (fka Phillips Env. (MI))	MI
USA Waste of Minnesota, Inc. (fka Sanifill of MN Hauling)	MN

Kato Sanitation.Northwest Valley	
Meeker County Transfer Station	
West Side Hauling	
USA Waste of Mississippi, Inc. (fka Chambers WS of MS)	MS
USA Waste of Montana, Inc. (fka Rozel Corp.)	MT
USA Waste of Nevada, Inc.	DE
USA Waste of New Jersey, Inc. (fka Chambers WS of NJ)	NJ
Atlantic City Hauling	
Bergen County Transfer Station	
Burlington County Landfill	
USA Waste of New York City, Inc	DE
Marshall's Refuse, Inc.	
North Hempstead Transfer	
USA Waste of Ohio, Inc.	OH
Johnson Disposal	
Johnson Disposal Transfer & Recycling Facility	
Mound Transfer Station	
Northern Ohio Waste Systems	
Reliable Sanitation	
Sanitary Commercial Services	
USA Waste of Oregon, Inc.	OR
Alpine Disposal & Recycling	
Energy Reclamation	
Forest Grove Transfer Station	
Klamath Disposal	
Metropolitan Disposal & Recycling	
Mt. Hood Refuse	
Sandy Transfer Station	
USA Waste of Pennsylvania, Inc.	PA
Helnick's Sanitation and General Hauling	
Kittinging Transfer Station	
LeHigh Hauling	
Mainline Sanitation	
Tri-Valley Recycling	
Tri-Valley Waste Systems	
USA Waste of Harrisburg	
USA Waste of Rhode Island, Inc. (fka Chambers WS of RI)	DE
USA Waste of Tennessee, Inc. (fka Chambers of TN)	TN
Nashville Hauling	
Nashville Transfer	
USA Waste of Texas Landfills, Inc.	DE
USA Waste of Virginia Landfills, Inc. (fka Sanifill of VA)	DE
Bethel Landfill	
Bushrod Disposal Service	
James City County Transfer	
Qualla Road Landfill	
USA Waste of Virginia, Inc. (fka Chambers Devlp of VA)	VA
USA Waste of West Virginia, Inc. (fka Chambers of WVA)	WV
USA Waste Recycling of New Jersey, Inc. (fka Safety Recycling)	NJ
Safety Recycling	
USA Waste Services North Carolina Landfills, Inc.	DE
Anson Road Landfill	
Coble Road Landfill	
USA Waste Services of Nevada, Inc.	NV
USA Waste Services of NYC, Inc.	DE
USA Waste Services of Western Illinois, Inc.	IL

USA Waste Services-Hickory Hills, L.L.C.	DE
USA Waste Transfer of New Jersey, Inc. (fka Ellesor)	NJ
USA Waste Transfer of Philadelphia, Inc.	PA
UWS Barre, Inc.	MA
UWS of Rhode Island, Inc.	RI
Truk-Away of R.I.	
UWS Transport, Inc.	DE
Container Service	
Waste Control	
Wasteco	
V&W Investments, Inc.	CA
VAI VA Projekt AS	SWEDEN
Valdenza Srl	ITALY
Valley Garbage Service, Inc.	WA
Van Len Recycling B.V.	NETHERLANDS
Van Loenen Millieu B.V.	NETHERLANDS
Van Loenen Transport en Verhuur B.V.	NETHERLANDS
Vanerborgs Stadbudsbyra AB	SWEDEN
VAR Projekt AS	SWEDEN
VE-Part S.r.l.	ITALY
Vern's Refuse Service, Inc.	ND
Vinton county Sanitary Facility, Inc.	DE
Vliko B.V.	NETHERLANDS
W. van Loenen Beheer B.V.	NETHERLANDS
W/W Risk Management, Inc.	DE
Wallkill Recyclable Products, Inc.	DE
Wallkill/Mid-Hudson Development Co., L.L.C.	NY
Walters and Vann, Inc.	CA
Winton Disposal	
Warner Company	DE
Warner West	
Warner East	
Warren Waste Transfer, Inc.	MI
Wasco Landfill, Inc.	DE
Washington Waste Hauling & Recycling, Inc.	DE
Mountain Group-Northwest Office	
Port-0-Let	
Recycle America	
Valley Topsoil	
Waste Management-Northwest	
Waste Management of Ellensburg	
Waste Management of Greater Wenatchee	
Waste Management of Kennewick	
Waste Management of Seattle	
Waste Management of Spokane	
Waste Management of Yakima	
Waste Management-SnoKing	
Waste Management-Rainier	
WMI Services	
Washington Waste Systems, Inc.	WA
Wasilla Refuse, Inc.	AK
Wass Entreprenad AB	SWEDEN

Waste Away Group, Inc.	AL
Environmental Waste Systems	
LaGrange Transfer Station	
Montgomery Transfer Station	
Phenix City Transfer	
Springhill Landfill	
Waste Management of Alabama- Central	
Waste Management of Alabama- East	
Waste Management of Alabama- North	
Waste Management of Alabama- South	
Waste Clearance (Holdings) Limited	UNITED KINGDOM
Waste Control Systems, Inc.	MN
Waste Management (Auckland) Ltd	NEW ZEALAND
Waste Management (Land) Limited	UNITED KINGDOM
Waste Management (Rock Common) Limited	UNITED KINGDOM
Waste Management (Roxby) Limited	UNITED KINGDOM
Waste Management (UK) Holdings Ltd.	UNITED KINGDOM
Waste Management (W.M.) Israel Limited	ISRAEL
Waste Management Asia B.V.	NETHERLANDS
Waste Management Austria mbH	AUSTRIA
Waste Management Collection and Recycling, Inc.	CA
American Waste Systems	
Empire Waste Management	
Great Western Reclamation	
Recycle America	
SAWDCO Collection	
Sunset Environment	
Valley Waste Management	
Waste Management of Inland Valley	
Waste Management of Sacramento	
Waste Management of San Gabriel/Pomona Valley	
Waste Management of Santa Cruz County	
Waste Management of the Central Valley	
Waste Management of Woodland	
Waste Management Czechoslovakia s.r.o.	CZECHOSLOVAKIA
Waste Management de Mexico, S.A. de C.V.	MEXICO
Waste Management Denmark A/S	DENMARK
Waste Management Development B.V.	NETHERLANDS
Waste Management Disposal Services of Arizona, Inc.	DE
Waste Management Disposal Services of Colorado, Inc.	CO
Central Weld Sanitary Landfill	
Colorado Springs Recycling and Disposal Facility	
County Line Recycling and Disposal Facility	
Denver/Arapahoe Disposal Site	
East Weld Sanitary Landfill	
North Weld Sanitary Landfill	
Waste Management of Colorado- Landfill Division	
Waste Management Disposal Services of Maine, Inc.	ME
Waste Management Disposal Services of Maine- Crossroads	
Waste Management Disposal Services of Maryland, Inc.	MD
Sandy Hill	
Waste Management Disposal Services of Massachusetts, Inc.	MA
Waste Management Disposal Services of Oregon, Inc.	DE
Columbia Ridge Landfill and Recycling Center	

Oregon Waste Systems	
Waste Management Disposal Services of Pennsylvania, Inc.	PA
Burlington County Resource Recovery Facilities Complex	
G.R.O.W.S. Landfill	
Meadowlands Baler Facility	
Meadowland Recycling and Disposal Facility	
Northwest Sanitary Landfill	
Pottstown Landfill and Recycling Center	
Waste Management Disposal Services of Virginia, Inc.	DE
Middle Peninsula Landfill and Recycling Facility	
Waste Management Disposal Services of Washington, Inc.	DE
Greater Wenatchee Regional Landfill and Recycling Center	
Waste Management of Washington	
Waste Management Do Brasil, Ltda	BRAZIL
Waste Management Environmental Services B.V.	NETHERLANDS
Waste Management Federal Services of Colorado, Inc.	DE
Waste Management Federal Services of Hanford, Inc.	DE
Waste Management Federal Services of Idaho, Inc.	DE
Waste Management Federal Services, Inc.	DE
Waste Management Financing Corp.	DE
Waste Management Geotech, Inc.	DE
Waste Management GmbH & Co. MVA Hamm oHG	GERMANY
Waste Management Greece AAE	GREECE
Waste Management Holdings, Inc. (f/k/a Waste Management, Inc.)	DE
Waste Management Inc., of Florida	FL
Atlantic Waste Management	
Broward Disposal	
Central Disposal	
Environmental Waste Systems	
Florida Environmental Waste	
Florida Disposal	
Florida Resource Management	
Gulf Coast Recycling and Disposal Facility	
Hillsborough Heights Recycling and Disposal Facility	
Medly Landfill & Recycling Center	
Rubbish Gobbler	
Southeast recycling and Disposal Facility	
Southern Sanitation Service	
South Florida Service Center	
United Sanitation Recycling and Disposal Facility	
Waste Management of Bay County	
Waste Management of Collier County	
Waste Management of Dade County	
Waste Management of Monroe County	
Waste Management of Pasco County	
Waste Management of Tampa	
Waste Management Industrial Services, Inc.	DE
Waste Management International	JAPAN
Waste Management International	SWITZERLAND
Waste Management International Services Limited	UNITED KINGDOM
Waste Management International, Inc.	DE
Waste Management International, Ltd.	BERMUDA
Waste Management Italia S.r.l.	ITALY

Waste Management Ltd.	UNITED KINGDOM
Waste Management N.Z. Ltd.	NEW ZEALAND
Waste Management Nederland B.V.	NETHERLANDS
Waste Management of Alameda County, Inc.	CA
Altamont Landfill and Resource Recovery Facility	
Central Division	
Davis Street Station for Material Recovery and Transfer	
East Bay Disposal Co.	
Livermore Dublin Disposal	
Northern Division	
Recycle America of Northern California	
Southern Division	
Sunnyvale Recycling and Disposal Facility	
Tri-Cities Recycling and Disposal Facility	
Waste Management of Arizona, Inc.	CA
Asset Recovery Group	
Butterfield Station Recycling and Disposal Facility	
Industrial Services Division	
Sky Harbor regional Transfer & Recycling Center	
27th Avenue Recycling and Disposal Facility	
Waste Management of Northern Arizona	
Waste Management of Phoenix - North	
Waste Management of Phoenix - Recycle America	
Waste Management of Phoenix - South	
Waste Management of Tucson	
Waste Management of Tucson - Recycle America	
Waste Management of Verde Valley	
WMI Services- Phoenix	
Waste Management of Arkansas, Inc.	DE
Brushy Island Recycling and Disposal Facility	
Jefferson County Recycling and Disposal Facility	
Shannon Road Recycling and Disposal Facility	
Union County Recycling and Disposal Facility	
Waste Management of Arkansas North	
Waste Management of Arkansas South	
Waste Management of California, Inc.	CA
Kirby Canyon recycling and Disposal Facility	
Lancaster Recycling and Disposal Facility	
Simi Valley Recycling and Disposal Facility	
Universal Refuse Removal of El Cajon	
Waste Management of Fresno County	
Waste Management of Lancaster	
Waste Management of Los Angeles	
Waste Management of Los Angeles - South	
Waste Management of North County	
Waste Management of San Diego	
Waste Management of San Fernando Valley	
Waste Management of Santa Clara County	
Waste Management of the Desert	
WMI Services	
Waste Management of Carolinas, Inc.	NC
Piedmont Landfill and Recycling Center	
Waste Management of Asheville	
Waste Management of Carolinas	
Waste Management of Central Carolina	
Waste Management of Eastern Carolina	
Waste Management of the Piedmont	
Waste Management of Raleigh/Durham	

Waste Management of Wilmington	
Waste Management of the Triad	
Waste Management of Central Florida, Inc.	FL
Aluchua Waste Management	
Waste Management of Colorado, Inc.	CO
Canon City Disposal and Recycling	
Colorado Springs Transfer Station	
Englewood Transfer Station	
Port-0-Let	
Waste Management of Aurora	
Waste Management of Colorado - Aurora Facility	
Waste Management of Colorado - North Facility	
Waste Management of Colorado - Recycle Facility	
Waste Management of Colorado - South Facility	
Waste Management of Colorado Springs-Recycle America Facility	
Waste Management of Denver	
Waste Management of Denver- Recycle America Processing Facility	
Waste Management of Northern Colorado	
Waste Management of Pueblo	
Waste Management of the Rockies	
WMI Medical Services	
Waste Management of Delaware, Inc.	DE
Waste Management of Delaware- Wilmington	
Waste Management of Delmarva	
Waste Management of Five Oaks Recycling and Disposal, Inc.	DE
Waste Management of Florida Holding Co, Inc.	DE
Waste Management of Georgia, Inc.	GA
Live Oak Landfill	
Superior Sanitation Landfill	
Waste Management of Savannah	
Waste Management of the Tennessee Valley	
Waste Management of Grass Valley, Inc.	DE
Waste Management of Hawaii, Inc.	HI
Waimanalo Gilch Recycling and Disposal Facility	
West Hawaii Landfill	
Waste Management of Idaho, Inc.	ID
Waste Management of Illinois, Inc.	DE
Banner/Western Disposal Service	
Chain of Rocks Recycling and Disposal Facility	
CID	
DeKalb County Recycling and Disposal Facility	
Durbin Paper Stock Company	
Five Oaks Recycling and Disposal Facility	
Greene Valley Recycling and Disposal Facility	
Kankakee recycling and Disposal Facility	
Laraway Recycling and Disposal Facility	
McLean County Disposal and recycling Services	
Milam Recycling and Disposal Facility	
Prairie Hill Recycling and Disposal Facility	
Settler's Hill recycling and Disposal Facility	
Tazewell Recycling and Disposal Facility	
TCD Services	
United Waste Systems	
Waste Management- Metro	
Waste Management- North	

Waste Management- Northwest	
Waste Management- West	
Waste Management of Metro East	
Waste Management of Peoria	
Waste Management of the South Suburbs	
Wheatland Prairie Recycling and Disposal Facility	
Woodland Recycling and Disposal Facility	
Waste Management of Indiana Holdings One, Inc.	DE
Waste Management of Indiana Holdings Two, Inc.	DE
Waste Management of Indiana LLC	DE
Deercroft Recycling and Disposal Facility	
Glenwood Ridge Recycling and Disposal Facility	
Oak Ridge recycling and Disposal Facility	
Prairie View recycling and Disposal Facility	
Superior Waste Systems	
Twin Bridges Recycling and Disposal Facility	
Waste Management of Central Indiana	
Waste Management of Evansville	
Waste Management of Fort Wayne	
Waste Management of Indianapolis	
Waste Management of Indianapolis-Hamilton County	
Transfer	
Waste Management of Lafayette	
Waste Management of Muncie	
Waste Management of Northwest Indiana	
Waste Management of Warsaw	
Wheeler Recycling and Disposal Facility	
Waste Management of Iowa, Inc.	IA
Solid Waste Systems	
Waste Management of Kansas, Inc.	KS
Forest View recycling and Disposal Facility	
Rolling Meadows recycling & Disposal facility	
Solid Waste Systems	
Topeka Waste Systems	
Waste Management of Wichita	
Waste Management - Refuse Control	
Waste Management of Kentucky Holdings, Inc.	DE
Waste Management of Kentucky LLC	DE
Blue Ridge Recycling and Disposal Facility	
Kramer Lane Recycling and Disposal Facility	
Lexington recycling and Disposal Facility	
Outer Loop recycling and Disposal Facility	
Waste Management of Kentucky - Gray Disposal	
Waste Management of Kentucky - Lexington	
Waste Management of Kentucky - Louisville	
Waste Management of Kentucky - Madison Disposal	
Waste Management of Kentucky - Stevens Dispos-All	
Service	
Waste Management of Leon County, Inc.	FL
Waste Management of Louisiana Holdings One, Inc.	DE
Waste Management of Louisiana Holdings Two, Inc.	DE
Waste Management of Louisiana LLC	DE
Acadiana Recycling and Disposal Facility	
Acadia Parish Sanitary Landfill	
Alexandria Recycling and Disposal Facility	
American Waste and Pollution Control-Algiers Residential	
American Waste and Pollution Control- Eastern New	

Orleans Residential
 American Waste and Pollution Control- Kelvin Recycling
 and Disposal Facility
 American Waste and Pollution Control- St. Bernard Parish
 Residential
 American Waste and Pollution Control- Slidell
 American Waste and Pollution Control- West Jefferson
 Residential
 Jefferson Davis Recycling and Disposal Facility
 Kelvin Recycling and Disposal Facility
 Magnolia Recycling and Disposal Facility
 Pelican Recycling and Disposal Facility
 Pelican State Environmental Services
 Waste Management of Acadiana
 Waste Management of Baton Rouge
 Waste Management of the Bayous
 Waste Management of Central Louisiana
 Waste Management of Lake Charles
 Waste Management of New Orleans
 Waste Management of Northeast Louisiana
 Waste Management of Northwest Louisiana
 Waste Management of the Pines
 Waste Management of St. Landry
 Waste Management of St. Tammany
 Waste Management of South Louisiana
 Woodside Recycling and Disposal Facility

Waste Management of Maine, Inc.

ME

Waste Management of Maine- Portland

Waste Management of Malaysia Sdn Bhd

MALAYSIA

Waste Management of Maryland, Inc.

MD

Mobile Offices of Maryland

Waste Management of Cambridge

Waste Management of Greater Washington

Waste Management of Maryland, Baltimore

Waste Management of Southern Maryland

WMI Medical Services

WMI Services of Maryland

Waste Management of Massachusetts, Inc.

MA

Somerville Transfer Station

Waste Management- Container Services

Waste Management of Boston- North

Waste Management of Central Massachusetts

Waste Management of Massachusetts- Gloucester

Waste Management of Massachusetts- South Shore

Waste Management of Michigan, Inc.

MI

Autumn Hills Recycling and Disposal Facility

Cedar Ridge Recycling and Disposal Facility

Eagle Valley Recycling and Disposal Facility

Efficient Sanitation

Northern Oaks Recycling and Disposal Facility

Recycle America- Metro Detroit

Valley Rubbish

Venice Park recycling and Disposal Facility

Waste Management of Detroit- Residential

Waste Management - Metro Detroit

Waste Management of Michigan- Alma Transfer and

Recycling Facility

Waste Management of Michigan- Area Disposal

Waste Management of Michigan- Burr Oak	
Waste Management of Michigan- Central	
Waste Management of Michigan- Detroit East Recycling Transfer Facility	
Waste Management of Michigan- Detroit Transfer and Recycling Facility	
Waste Management of Michigan- Detroit MRF/Transfer	
Waste Management of Michigan- Dowagiac Transfer and Recycling Facility	
Waste Management of Michigan- Holland	
Waste Management of Michigan- Holland Transfer and Recycling Facility	
Waste Management of Michigan- Mideast	
Waste Management of Michigan- Mideast/Port Huron	
Waste Management of Michigan- Midwest	
Waste Management of Michigan- Northern	
Waste Management of Michigan- Recycle America/Grand Rapids	
Waste Management of Michigan- Southwest	
Waste Management of Michigan- Western	
Westside Recycling and Disposal Facility	
WMI Services- Eastern Michigan/ Northwest Ohio	
Woodland Meadows Recycling and Disposal Facility	
Waste Management of Minnesota, Inc.	MN
Anoka Recycling and Disposal Facility	
Dietman Sanitation & Recycling	
Northern Waste Systems	
Recycle America of Minnesota	
Sun Prairie Recycling and Disposal Facility	
Waste Management- Blaine	
Waste Management- LeSeur	
Waste Management- Rochester	
Waste Management- Savage	
Waste Management- St. Cloud	
Waste Management of Hastings	
WMI Services of Minnesota	
Waste Management of Mississippi, Inc.	MS
Pecan Grove Landfill	
Pine Ridge Landfill	
Plantation Oaks Landfill	
Prairie Bluff Landfill	
Waste Management of Central Mississippi- Jackson	
Waste Management of Central Mississippi- Kosciusko	
Waste Management of Central Mississippi- Meridian	
Waste Management of Central Mississippi- Vicksburg	
Waste Management of North Mississippi-Clarksdale	
Waste Management of North Mississippi- Columbus	
Waste Management of North Mississippi- Corinth	
Waste Management of North Mississippi- Greenville	
Waste Management of North Mississippi- Grenada	
Waste Management of North Mississippi- Tupelo	
Waste Management of South Mississippi- Gulfport	
Waste Management of South Mississippi- McComb	
Waste Management of South Mississippi- Natchez	
Waste Management of South Mississippi- Pine Belt	
Waste Management of Missouri, Inc.	DE
Black Oak and Disposal Facility	
Environmental Industries	

Kahle Recycling and Disposal facility	
Meramec Hauling	
Pezold Hauling	
Rumble Recycling and Disposal Facility	
Waste Management of Kansas City	
Waste Management of Springfield	
Waste Management fo St. Loius	
Waste Management of the Ozarks	
Waste Management of Montana, Inc	DE
Waste Management of Great Falls	
Waste Management of Nebraska, Inc.	DE
Douglas County Recycling and Disposal Facility	
Waste Management of New Hampshire, Inc.	CT
Turnkey Recycling and Environmental Enterprises	
Waste Management of New Hampshire- Londonberry	
Waste Management of New Hampshire- New Hampton	
Waste Management of New Hampshire- Rochester	
Waste Management of New Hampshire- Peterborough	
Waste Management of New Jersey, Inc.	DE
Avenue A Transfer & Recycling Center	
Middle Martee Landfill	
Recycle America	
Waste Management of Camden	
Waste Management of New Mexico, Inc.	NM
Environmental Waste Equipment Company	
Hobbs Recycling and Disposal Facility	
Landfill Hauling Systems	
Landfill Systems	
R&B Rubbish Removal	
Rio Rancho Recycling and Disposal Facility	
San Juan Recycling and Disposal Facility	
Seay Brothers Rolloff	
Tijeras Disposal	
United Waste Systems	
Waste Management of Albuquerque-Recycle America	
Processing Facility	
Waste Management of Four Corners	
Waste Management of Southeast New Mexico	
Waste Management of the Southwest	
Waste Management of New York, L.L.C.	DE
High Acres Landfill and Recycling Facility	
Waste Management of Eastern New York	
Waste Management of Hudson Valley	
Waste Management of New York-Albion	
Waste Management of New York- Buffalo	
Waste Management of New York- Rochester	
Waste Management of New York- Syracuse	
Waste Management of New York- Utica	
Waste Management of Southwestern New York	
WMI Services of New York	
Waste Management of North America, Inc.	IL
Waste Management of North Dakota, Inc.	DE
Northern Waste Systems	
Waste Management of Ohio, Inc.	DE
Countywide Recycling and Disposal Facility	
ELDA Recycling and Disposal Facility	
Evergreen Recycling and Disposal Facility	
Herrick Valley Recycling and Disposal Facility	

Lake County Recycling and Disposal Facility
 Pinnacle Road Recycling and Disposal Facility
 Seneca East Recycling and Disposal Facility
 Stony Hollow Recycling and Disposal facility
 Suburban Recycling and Disposal Facility
 Waste Management of Ohio- Akron
 Waste Management of Ohio- Blaylock
 Waste Management of Ohio- Cleveland Transfer and
 Recycling Facility
 Waste Management of Ohio- Cleveland West
 Waste Management of Ohio- Columbus
 Waste Management of Ohio- Columbus Transfer and
 Recycling Facility
 Waste Management of Ohio- Findlay
 Waste Management of Ohio- IWD
 Waste Management of Ohio- Koogler
 Waste Management of Ohio- Lima
 Waste Management of Ohio- Lima Transfer and Recycling
 Facility
 Waste Management of Ohio- M&M Sanitation
 Waste Management of Ohio- Newark
 Waste Management of Ohio- Northwest
 Waste Management of Ohio- Recycle America/Toledo
 Waste Management of Ohio- S.E.M.
 Waste Management of Ohio- Shelby County Transfer
 Waste Management of Ohio- Suburban Sanitation Service
 Waste Management of Ohio- Western Reserve
 Waste Management of Ohio- Youngstown
 WMI Services- Ohio

Waste Management of Oklahoma, Inc.

OK

East Oak Recycling and Disposal Facility
 Muskogee recycling and Disposal Facility
 Quarry Recycling and Disposal Facility
 Waste Management of Oklahoma City
 Waste Management of Tulsa

Waste Management of Oregon, Inc.

OR

Metro South Transfer Station
 Port-O-Let
 Waste Management of Vancouver U.S.A.
 Zero Garbage

Waste Management of Pennsylvania, Inc.

PA

Alderfer & Frank
 Lake View Landfill (Northern)
 Mid-Atlantic Recycling and Distribution Center
 Milton Grove Demolition and Tire Recycling
 Philadelphia Transfer and Recycling Station
 Pottsville Transfer Station
 Recycle America
 River Road Landfill
 Steel Valley Transfer Station
 The Forge Recycling and Resource Recovery Center
 Tully Town Resource Recovery Facility
 Waste Automation
 Waste Management - Allentown
 Waste Management- Dixon Recycling
 Waste Management of Camp Hill
 Waste Management of Delaware Valley- North
 Waste Management of Delaware Valley- South

Waste Management of Erie	
Waste Management of Greater Lancaster	
Waste Management of Greencastle	
Waste Management of Greenville	
Waste Management of Indian Valley	
Waste Management of Laurel Valley	
Waste Management of Northeast Pennsylvania	
Waste Management of Pennsylvania- Hauling	
Waste Management of Pittsburgh	
Waste Management of Pottstown	
Waste Management of Wilkinsburg	
WMI Medical Services of New Jersey	
WMI Medical Services of New York	
WMI Medical Services of Pennsylvania	
WMI Medical Services of West Virginia	
Waste Management of Rhode Island, Inc.	DE
Waste Management of Rhode Island- Newport	
Waste Management of South Carolina, Inc.	SC
Charleston Landfill	
Hickory Hill Sanitary Landfill	
Palmetto Landfill	
Sandy Pines Landfill	
Waste Management of South Carolina	
Waste Management of the Low Country	
Waste Management of South Dakota, Inc.	SD
Waste Management of Sioux Falls	
Waste Management of the Black Hills	
Waste Management of Texas, Inc.	TX
All Waste Paper Recycling	
Atascosita Recycling and Disposal Facility	
Ausitn Community Disposal Co.	
Bluebonnet Recycling and Disposal Facility	
Centex Waste Management	
Coastal Plains Recycling and Disposal Facility	
Comal County Recycling and Disposal Facility	
Covell Gardens Landfill	
DFW Recycling and Disposal Facility	
Fogle Garbage Service	
Garbage Gobbler	
Hillside recycling and Disposal Facility	
Kingwood Garbage Service	
Lacy Lakeview Recycling and Disposal Facility	
Longhorn Disposal	
Northwest Transfer Station	
Oak Hill Recycling and Disposal Facility	
Pecan Prairie Recycling and Disposal Facility	
Recycle America- Dallas Bulk grade Division	
Recycle America- Dallas High Grade Division	
S&B trucking & Sanitation	
Security Landfill	
Skyline Recycling and Disposal Facility	
Texas Waste Management	
Waste Management of Fort Worth Recycling and Disposal Facility	
Waste Management - Golden Triangle	
Waste Management of Dallas- East	
Waste Management of Dallas Recycle America Processing Facility	

Waste Management of Dallas- West	
Waste Management of East Texas	
Waste Management of Fort Worth	
Waste Management of Fort Worth Recycling and Disposal Facility	
Waste Management of Houston	
Waste Management of Northeast Texas	
Waste Management of Southeast Texas	
Waste Management of Southeast Texas- Angleton	
Waste Management of Southeast Texas- Dickinson	
Waste Management of South Texas	
Waste Management of West Texas	
Westside Recycling and Disposal Facility	
Williamson County Recycling and Disposal Facility	
WMI Services of Dallas	
WMI Services of North Texas	
WMI Services of Texas	
Waste Management of Utah, Inc.	UT
Waste Management of Northern Utah	
Reliable Waste Systems	
Waste Management of Salt Lake	
Waste Management of Virginia, Inc.	VA
Manassas Transfer Station	
Waste Management of Hampton Roads	
Waste Management of Northern Virginia	
Waste Management of Northern Virginia- Crown Disposal	
Waste Management of the Outer Banks	
Waste Management of Richmond/Fiber Fuels	
Waste Management of Richmond Port-O-Let	
Waste Management of Richmond Recycle America	
Waste Management of Virginia- Blue Ridge	
WMI Services of Hampton Roads	
WMI Services of Virginia	
Waste Management of West Virginia, Inc.	DE
Waste Management of Shenandoah Valley	
Waste Management of Wisconsin, Inc.	WI
Best Disposal	
Mallard Ridge Recycling and Disposal Facility	
Metro/Stone Ridge Recycling and Disposal Facility	
Orchard Ridge Recycling and Disposal Facility	
Parkview Recycling and Disposal Facility	
Pheasant Run Recycling and Disposal Facility	
Ridgeview Recycling and Disposal Facility	
Timberline Trail Recycling and Disposal Facility	
UWS Transportation	
Valley Trail Recycling and Disposal Facility	
Waste Management- Northeast Wisconsin	
Waste Management of Fox Valley	
Waste Management of La Crosse	
Waste Management of Madison	
Waste Management of Milwaukee	
Waste Management of Muskego	
Waste Management of Rockford	
Waste Management of Wisconsin- East	
Waste Management Southwest	
Waste Management of St. Croix Valley	
Waste Management - Tri County	
WMI Services of Wisconsin	

Waste Management of Wyoming, Inc.	DE
Waste Management Operations Ireland Ltd.	UNITED KINGDOM
Waste Management Paper Recycling, Inc.	DE
Waste Management Paper Stock Company, Inc.	DE
Southern Sanitation Southeast - Recycle America	
Waste Management of Florida- Recycle America	
Waste Management of Sarasota- Recycle America	
Waste Management of Tampa- Recycle America	
Waste Management Partners, Inc.	DE
American Refuse Systems, Inc.	
Ocmulgee Disposal, Inc.	
Waste Management Partnership Holdings, Inc.	DE
Waste Management Plastic Products, Inc.	DE
Waste Management Project Services B.V.	NETHERLANDS
Waste Management Queensland Pty Ltd.	AUSTRALIA
Waste Management Queensland Pty. Limited	QUEENSLAND
Waste Management Recycling & Services Ltd	HONG KONG
Waste Management Remediation Services B.V.	NETHERLANDS
Waste Management Siam Holdings Limited	THAILAND
Waste Management Siam Limited	THAILAND
Waste Management South America B.V.	NETHERLANDS
Waste Management Stendahl GmbH	GERMANY
Waste Management Technology Center, Inc.	DE
Waste Management Thailand B.V.	NETHERLANDS
Waste Management, Inc. (f/k/a USA Waste Services, Inc.)	DE
Waste Management, Inc. of Tennessee	TN
Chestnut Ridge Landfill and Recycling Center	
Waste Management of Tennessee - Clarksville	
Waste Management of Tennessee - Jackson	
Waste Management of Tennessee - Knoxville	
Waste Management of Tennessee - Memphis	
Waste Management of Tennessee - Nashville	
West Camden Sanitary Landfill	
Waste Resource Technologies, Inc.	CA
Waste Resources of Tennessee, Inc.	TN
Waste Services of South Florida, Inc.	FL
Waste-X Services, Inc.	FL
Wastronics, Inc.	AK
Water Investments, Inc.	DE
LJ Water Partners, L.P. (49% ownership by Water Investment, Inc.)	
Waterblast Ltd.	UNITED KINGDOM
Webster Parish Landfill, L.L.C.	DE
WESI Baltimore Inc.	DE
WESI Capital Inc.	DE
WESI Peekskill Inc.	DE
WESI Westchester Inc.	DE
Wessex Waste Gas to Energy Ltd.	UNITED KINGDOM
Wessex Waste Management Limited	UNITED KINGDOM
West Milford Haulage, Inc.	NJ

Westchester Resco Company, L.P.	
Western El Dorado Recovery Systems, Inc.	CA
Western Land Acquisition, Inc.	RI
Western States Waste Systems, Inc.	AZ
Western U.P. Landfill, Inc.	MI
Western Waste Industries	CA
Conroe Industrial Transportation	
Conroe Landfill #7	
Conroe Landfill Administration	
Fresno Transfer Station	
Inland Empire	
Redondo Beach Recycling	
Sunnydale Transfer Station	
Western Beaumont Landfill	
Western Longmont Landfill	
WW/Chino Transfer Station	
WW/Conroe Processing Plant	
WW/EL Sobrante Landfill	
Nassau Landfill	
WW/Southern California Processing	
Westley Trading Ltd.	UNITED KINGDOM
Wheelabrator Air Pollution Control Inc.	DE
Wheelabrator Canada Inc.	ONTARIO
Wheelabrator Carteret Inc.	DE
Wheelabrator Cedar Creek Inc.	DE
Wheelabrator Clean Water New Jersey Inc.	DE
Wheelabrator Coal Services Company	DE
Wheelabrator Concord Inc.	DE
Wheelabrator Connecticut Inc.	DE
Wheelabrator Culm Services Inc.	DE
Wheelabrator Energy Leasing Company	DE
Wheelabrator Energy Systems Inc.	DE
Wheelabrator Environmental Systems Inc.	DE
Wheelabrator Falls Inc.	DE
Wheelabrator Frackville Energy Company Inc.	DE
Wheelabrator Frackville Properties Inc.	DE
Wheelabrator Fuel Services Inc.	DE
Wheelabrator Fuels Service Corporation	DE
Wheelabrator Gloucester Inc.	DE
Wheelabrator Guam Inc.	DE
Wheelabrator Hudson Energy Company Inc.	DE
Wheelabrator Land Resources Inc.	DE
Wheelabrator Lassen Inc.	DE
Wheelabrator Martell Inc.	
Wheelabrator McKay Bay Inc.	FL
Wheelabrator Millbury Inc.	DE
Wheelabrator New Hampshire Inc.	DE
Wheelabrator New Jersey Inc.	DE
Wheelabrator NHC Inc.	DE

Wheelabrator North Broward Inc.	DE
Wheelabrator North Shore Inc.	DE
Wheelabrator Norwalk Energy Company Inc.	DE
Wheelabrator Penacook Inc.	DE
Wheelabrator Pinellas Inc.	DE
Wheelabrator Polk Inc.	DE
Wheelabrator Power Marketing Inc.	DE
Wheelabrator Putnam Inc.	DE
Wheelabrator Ridge Energy Inc.	DE
Wheelabrator Saugus Inc.	DE
Wheelabrator Shasta Energy Company Inc.	DE
Wheelabrator Sherman Station One Inc.	DE
Wheelabrator Sherman Station Two Inc.	DE
Wheelabrator Shrewsbury Inc.	DE
Wheelabrator South Broward Inc.	DE
Wheelabrator Spokane Inc.	DE
Wheelabrator Technologies Inc.	DE
Wheelabrator Water Technologies Baltimore L.L.C.	DE
Wheelabrator Water Technologies Canada Inc.	DE
Wheelabrator Water Technologies Inc.	MD
White Lake Landfill, Inc.	MI
Whitefeather Landfill, Inc.	DE
Wildcat Refuse, Inc.	MD
Williams Disposal Service, Inc.	FL
Williams Landfill, L.L.C.	DE
Wil-Mar, Inc.	CA
WM International Holdings, Inc.	DE
WM Norge AS	NORWAY
WM Umwelttechnik GmbH	GERMANY
WM Ymparistopalvelut OY	FINLAND
WMD Bockmann Fritz Ohlig GmbH	GERMANY
WMD Just Entsorgung GmbH	GERMANY
WMD Knab GmgH	GERMANY
WMD Knab Zwischenlager GmbH	GERMANY
WMD Knoss & Anthes GmbH	GERMANY
WMD Schreiber GmbH	GERMANY
WMD Waste Management Deutschland Holding GmbH	GERMANY
WMI Medical Services of Ohio, Inc.	OH
WMI Medical Services- Dayton	
WMI Merger Sub, Inc.	DE
WMI Mexico Holdings, Inc.	DE
WMI Quebec Inc.	QUEBEC
WMI Selbergs AB	SWEDEN
WMI Services of Nevada, Inc.	NV
WMI Urban Services, Inc.	DE
WMI Waste Management of Canada Inc.	CANADA
TCL Waste Systems	
Waste Management Big Bear Services	

Waste Management Fraser Valley	
Waste Management Halton/Hamilton	
Waste Management Materials Processing- Recycle Canada	
Waste Management Materials Processing- Toronto Transfer	
Waste Management McLellan Disposal	
Waste Management of Oxford/Perth	
Waste Management of Calgary	
Waste Management of Edmonton	
Waste Management of Greater Toronto	
Waste Management of Greater Vancouver	
Waste Management of Southwestern Ontario	
Waste Management of the Okanagan	
Waste Management York/Simcoe	
West Edmonton Recycling and Disposal Facility	
WMI du Quebec	
WMI - Hull/Ottawa	
WMI Recyclage Quebec	
WMI Rive - Sud	
WMI Waste Management DuCanada	
WMNA Container Recycling, Inc.	DE
WMNA Rail-Cycle Sub, Inc.	DE
WR Pollard and Son Limited	UNITED KINGDOM
Wright General, Inc.	AK
WTI China Holdings I, Inc.	CAYMAN ISLANDS
WTI China Holdings II Inc.	CAYMAN ISLANDS
WTI China One Inc.	DE
WTI China Two Inc.	DE
WTI International Energy Inc.	DE
WTI International Holdings Inc.	DE
WTI Qicheng LLC	CAYMAN ISLANDS
WTI Rust Holdings Inc.	DE
WTI Rust Holdings, Inc.	DE
WTI Taicang LLC.	CAYMAN ISLANDS
WTI Yingkou LLC.	CAYMAN ISLANDS
Yell County Landfill, L.L.C.	DE
Zenith/Kremer Material Recovery, Inc.	MN
Suburban Recycling Service	
Zenith/Kremer Waste Systems, Inc.	MN
Cecil Shykes Sanitary Service	
Home Town Garbage Service	
Kremer Disposal	
Kremer Recycling	
Suburban Sanitation Service	
Zenith Recycling	
Zhong Zia Environmental Technology Co. Ltd.	HONG KONG

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included or incorporated by reference in this Annual Report on Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (Registration Nos. 33-43619, 33-72436, 33-84988, 33-84990, 33-59807, 33-61621, 33-61625, 33-61627, 333-02181, 333-08161, 333-14115, 333-14613, 333-34819, 333-51975, 333-64239, 333-70055, 333-59247, 333-56113), previously filed Registration Statements on Form S-3 (Registration Nos. 333-00097, 333-08573, 333-32471, 333-33889, 333-52197), and previously filed Registration Statements on Form S-4 (Registration Nos. 333-31979 and 333-32805).

Arthur Andersen LLP

Houston, Texas
March 29, 1999

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Waste Management, Inc. on Form S-3 (File Nos. 333-00097, 333-08573, 333-32471, 333-33889, and 333-52197), on Form S-4 (File Nos. 333-31979 and 333-32805), and on Form S-8 (File Nos. 33-43619, 33-72436, 33-84988, 33-84990, 33-59807, 33-61621, 33-61625, 33-61627, 333-02181, 333-08161, 333-14115, 333-14613, 333-34819, 333-51975, 333-64239, 333-70055, 333-59247, and 333-56113), of our report dated March 16, 1998, on our audits of the consolidated financial statements of USA Waste Services, Inc. as of December 31, 1997, and for the years ended December 31, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Houston, Texas
March 29, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS	
	DEC-31-1998
	JAN-01-1998
	DEC-31-1998
	86,873
	1,792
	2,362,407
	116,430
	0
	3,881,397
	18,235,813
	6,598,074
	22,715,198
4,293,666	
	11,114,201
0	
	0
	6,083
	4,366,413
22,715,198	
	12,703,469
12,703,469	
	7,383,751
	12,863,858
	(141,967)
	0
	681,457
	(699,879)
	66,923
(766,802)	
	0
	(3,900)
	0
	(770,702)
	(1.32)
	(1.32)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS	6-MOS		3-MOS	
	DEC-31-1998	DEC-31-1998	DEC-31-1998	DEC-31-1998
	JAN-01-1998 SEP-30-1998	JAN-01-1998 JUN-30-1998	JAN-01-1998 JUN-30-1998	JAN-01-1998 MAR-31-1998
	179,409	410,083		362,781
	994	1,462		3,053
	2,319,027	2,217,370		2,047,533
	98,346	100,116		102,682
	0	0		0
	4,098,242	3,194,590		2,897,298
	17,345,504	18,342,658		17,396,632
	6,298,377	6,020,357		5,616,731
	22,029,650	22,525,101		21,560,881
4,427,297	4,442,141	5,048,621		9,046,878
0	9,796,572	9,335,043		0
	0	0		0
	6,054	6,141		6,033
22,029,650	4,345,467	5,343,752		4,172,374
	22,525,101	21,560,881		
	9,464,365	6,220,164		2,969,433
9,464,365	5,583,644	3,713,344		1,801,261
	9,988,614	5,198,669		2,507,167
(130,422)	(86,770)			(51,254)
0	0			0
503,347	329,085			155,531
(897,174)	779,180			357,989
	350,994			158,841
(830,287)	428,186			199,148
0	0			0
3,900	3,900			0
0	0			0
(834,187)	424,286			199,148
(1.44)	0.74			0.35
(1.44)	0.72			0.34

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS	9-MOS	6-MOS	3-MOS
DEC-31-1997	DEC-31-1997	DEC-31-1997	DEC-31-1997
JAN-01-1997	JAN-01-1997	JAN-01-1997	JAN-01-1997
DEC-31-1997	SEP-30-1997	JUN-30-1997	MAR-31-1997
	189,942	201,653	510,786
59,296	69,362	80,910	631,006
2,066,642	2,041,170	2,018,867	1,945,215
90,164	79,366	70,576	59,899
0	0	0	0
2,839,676	2,937,889	3,349,673	3,810,303
16,760,990	17,837,010	17,467,223	16,938,840
5,572,461	5,993,600	5,805,087	5,697,665
20,156,424	21,332,276	21,482,619	21,396,873
4,803,954	3,595,392	3,976,762	4,170,864
0	7,881,949	8,925,132	8,809,762
0	0	0	0
0	5,987	5,969	5,895
3,848,942	5,319,353	5,208,716	5,914,580
20,156,424	21,332,276	21,482,619	21,396,873
11,972,498	8,884,939	8,884,939	5,730,556
11,972,498	8,884,939	5,730,556	5,730,556
7,482,273	5,537,598	3,559,970	2,699,541
12,206,407	7,791,167	4,921,620	1,720,129
(126,988)	(75,642)	(85,984)	2,362,312
0	0	0	(126,845)
555,576	406,264	269,027	0
(662,497)	763,150	625,893	131,717
363,341	399,103	318,357	332,357
(1,025,838)	364,047	307,536	161,938
95,688	8,412	8,208	170,419
6,809	6,293	0	647
1,936	0	0	0
(938,895)	366,166	315,744	171,066
(1.68)	0.66	0.57	0.31
(1.68)	0.65	0.56	0.30

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF WASTE MANAGEMENT, INC. FOR THE YEAR ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

12-MOS	
	DEC-31-1996
	JAN-01-1996
	DEC-31-1996
	352,303
	319,338
	1,977,972
	72,743
	0
	3,242,109
	16,551,429
	5,585,488
	20,727,524
3,500,319	8,466,901
0	0
	5,583
	5,196,027
20,727,524	10,998,602
	6,564,234
	9,800,989
	(101,959)
	0
	525,340
	774,232
	486,700
287,532	263,301
	0
	0
	24,231
	0.05
	0.04