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

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2014

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-12154

Waste Management, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**73-1309529**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1001 Fannin
Suite 4000
Houston, Texas 77002
(Address of principal executive offices)

(713) 512-6200
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of shares of Common Stock, $0.01 par value, of the registrant outstanding at April 17, 2014 was 465,362,211 (excluding treasury shares of 164,920,250).

PART I.

Item 1. ***Financial Statements.***

WASTE MANAGEMENT, INC.

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

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 339	$ 58
Accounts receivable, net of allowance for doubtful accounts of $36 and $33, respectively	1,661	1,699
Other receivables	90	111
Investment in unconsolidated entity	—	177
Parts and supplies	174	178
Deferred income taxes	96	113
Other assets	175	163
Total current assets	2,535	2,499
Property and equipment, net of accumulated depreciation and amortization of $16,874 and $16,723, respectively	12,170	12,344
Goodwill	6,068	6,070
Other intangible assets, net	503	529
Investments in unconsolidated entities	402	414
Other assets	764	747
Total assets	$ 22,442	$ 22,603
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 663	$ 744
Accrued liabilities	1,016	1,069
Deferred revenues	462	475
Current portion of long-term debt	1,216	726
Total current liabilities	3,357	3,014
Long-term debt, less current portion	8,978	9,500
Deferred income taxes	1,815	1,842
Landfill and environmental remediation liabilities	1,532	1,518
Other liabilities	721	727
Total liabilities	16,403	16,601
Commitments and contingencies		
Equity:		
Waste Management, Inc. stockholders' equity:		
Common stock, $0.01 par value; 1,500,000,000 shares authorized; 630,282,461 shares issued	6	6
Additional paid-in capital	4,607	4,596
Retained earnings	6,342	6,289
Accumulated other comprehensive income	89	154
Treasury stock at cost, 164,985,633 and 165,961,646 shares, respectively	(5,307)	(5,338)
Total Waste Management, Inc. stockholders' equity	5,737	5,707
Noncontrolling interests	302	295
Total equity	6,039	6,002
Total liabilities and equity	$ 22,442	$ 22,603

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Millions, Except per Share Amounts)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Operating revenues	$3,396	$3,336
Costs and expenses:		
Operating	2,232	2,209
Selling, general and administrative	375	390
Depreciation and amortization	317	323
Restructuring	1	8
(Income) expense from divestitures, asset impairments and unusual items	2	4
	2,927	2,934
Income from operations	469	402
Other income (expense):		
Interest expense, net	(121)	(121)
Equity in net losses of unconsolidated entities	(9)	(8)
Other, net	(3)	(11)
	(133)	(140)
Income before income taxes	336	262
Provision for income taxes	99	86
Consolidated net income	237	176
Less: Net income attributable to noncontrolling interests	9	8
Net income attributable to Waste Management, Inc.	$ 228	$ 168
Basic earnings per common share	$ 0.49	$ 0.36
Diluted earnings per common share	$ 0.49	$ 0.36
Cash dividends declared per common share	$0.375	$0.365

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Consolidated net income	$237	$176
Other comprehensive income (loss), net of taxes:		
Derivative instruments, net	(6)	(2)
Available-for-sale securities, net	—	1
Foreign currency translation adjustments	(59)	(32)
Post-retirement benefit obligation, net	—	—
Other comprehensive income (loss), net of taxes	(65)	(33)
Comprehensive income	172	143
Less: Comprehensive income attributable to noncontrolling interests	9	8
Comprehensive income attributable to Waste Management, Inc.	$163	$135

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Cash flows from operating activities:		
Consolidated net income	$ 237	$ 176
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	317	323
Deferred income tax benefit	(15)	(25)
Interest accretion on landfill liabilities	21	23
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	1	1
Provision for bad debts	13	19
Equity-based compensation expense	15	21
Excess tax benefits associated with equity-based transactions	(1)	(6)
Net gain from disposal of assets	(4)	(3)
Effect of (income) expense from divestitures, asset impairments and unusual items and other	2	15
Equity in net losses of unconsolidated entities, net of dividends	9	8
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	41	88
Other current assets	(10)	(18)
Other assets	2	(3)
Accounts payable and accrued liabilities	(19)	(24)
Deferred revenues and other liabilities	(25)	(18)
Net cash provided by operating activities	584	577
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(11)	(180)
Capital expenditures	(266)	(266)
Proceeds from divestitures of businesses and other assets (net of cash divested)	166	37
Net receipts from restricted trust and escrow accounts	11	—
Investments in unconsolidated entities	(4)	(12)
Other	(18)	—
Net cash used in investing activities	(122)	(421)
Cash flows from financing activities:		
New borrowings	913	244
Debt repayments	(928)	(151)
Cash dividends	(174)	(170)
Exercise of common stock options	14	38
Excess tax benefits associated with equity-based transactions	1	6
Distributions paid to noncontrolling interests	(2)	(8)
Other	(3)	—
Net cash used in financing activities	(179)	(41)
Effect of exchange rate changes on cash and cash equivalents	(2)	(2)
Increase in cash and cash equivalents	281	113
Cash and cash equivalents at beginning of period	58	194
Cash and cash equivalents at end of period	$ 339	$ 307

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In Millions, Except Shares in Thousands)
(Unaudited)

		Waste Management, Inc. Stockholders' Equity							
		Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Treasury Stock		Noncontrolling
	Total	Shares	Amounts	Capital	Earnings	Income (Loss)	Shares	Amounts	Interests
Balance, December 31, 2013	$6,002	630,282	$ 6	$ 4,596	$ 6,289	$ 154	(165,962)	$ (5,338)	$ 295
Consolidated net income	237	—	—	—	228	—	—	—	9
Other comprehensive income (loss), net of taxes	(65)	—	—	—	—	(65)	—	—	—
Cash dividends	(174)	—	—	—	(174)	—	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	41	—	—	11	(1)	—	974	31	—
Distributions paid to noncontrolling interests	(2)	—	—	—	—	—	—	—	(2)
Other	—	—	—	—	—	—	2	—	—
Balance, March 31, 2014	$6,039	630,282	$ 6	$ 4,607	$ 6,342	$ 89	(164,986)	$ (5,307)	$ 302

See notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The financial statements presented in this report represent the consolidation of Waste Management, Inc., a Delaware corporation; Waste Management's wholly-owned and majority-owned subsidiaries; and certain variable interest entities for which Waste Management or its subsidiaries are the primary beneficiaries as described in Note 13. Waste Management is a holding company and all operations are conducted by its subsidiaries. When the terms "the Company," "we," "us" or "our" are used in this document, those terms refer to Waste Management, Inc., its consolidated subsidiaries and consolidated variable interest entities. When we use the term "WM," we are referring only to Waste Management, Inc., the parent holding company.

We are North America's leading provider of comprehensive waste management environmental services. We partner with our residential, commercial, industrial and municipal customers and the communities we serve to manage and reduce waste at each stage from collection to disposal, while recovering valuable resources and creating clean, renewable energy. Our "Solid Waste" business is operated and managed locally by our subsidiaries that focus on distinct geographic areas and provides collection, transfer, recycling and resource recovery, and disposal services. Through our subsidiaries, we are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States.

We evaluate, oversee and manage the financial performance of our Solid Waste business subsidiaries through our 17 geographic Areas. Our Wheelabrator business provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. We also provide additional services that are not managed through our Solid Waste or Wheelabrator businesses, which are presented in this report as "Other." Additional information related to our segments can be found in Note 8.

The Condensed Consolidated Financial Statements as of March 31, 2014 and for the three months ended March 31, 2014 and 2013 are unaudited. In the opinion of management, these financial statements include all adjustments, which, unless otherwise disclosed, are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, comprehensive income, cash flows, and changes in equity for the periods presented. The results for interim periods are not necessarily indicative of results for the entire year. The financial statements presented herein should be read in connection with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.

In preparing our financial statements, we make numerous estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with precision from available data or simply cannot be calculated. In some cases, these estimates are difficult to determine, and we must exercise significant judgment. In preparing our financial statements, the most difficult, subjective and complex estimates and the assumptions that present the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments, deferred income taxes and reserves associated with our insured and self-insured claims. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

Reclassifications

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

2. Landfill and Environmental Remediation Liabilities

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

	March 31, 2014			December 31, 2013		
	Landfill	Environmental Remediation	Total	Landfill	Environmental Remediation	Total
Current (in accrued liabilities)	$ 94	$ 35	$ 129	$ 95	$ 35	$ 130
Long-term	1,343	189	1,532	1,326	192	1,518
	$1,437	$ 224	$1,661	$1,421	$ 227	$1,648

The changes to landfill and environmental remediation liabilities for the year ended December 31, 2013 and the three months ended March 31, 2014 are reflected in the table below (in millions):

	Landfill	Environmental Remediation
December 31, 2012	$1,338	$ 253
Obligations incurred and capitalized	59	—
Obligations settled	(71)	(20)
Interest accretion	87	4
Revisions in estimates and interest rate assumptions	6	(6)
Acquisitions, divestitures and other adjustments	2	(4)
December 31, 2013	1,421	227
Obligations incurred and capitalized	12	—
Obligations settled	(8)	(5)
Interest accretion	21	1
Revisions in estimates and interest rate assumptions	(7)	1
Acquisitions, divestitures and other adjustments	(2)	—
March 31, 2014	$1,437	$ 224

At several of our landfills, we provide financial assurance by depositing cash into restricted trust funds or escrow accounts for purposes of settling final capping, closure, post-closure and environmental remediation obligations. Generally, these trust funds are established to comply with statutory requirements and operating agreements. See Note 13 for additional information related to these trusts.

3. Debt

The following table summarizes the major components of debt at each balance sheet date (in millions) and provides the maturities and interest rate ranges of each major category as of March 31, 2014:

	March 31, 2014	December 31, 2013
U.S. revolving credit facility, maturing July 2018 (weighted average interest rate of 1.2% at March 31, 2014 and December 31, 2013)	$ 790	$ 420
Letter of credit facilities, maturing through December 2016	—	—
Canadian credit facility and term loan, maturing November 2017 (weighted average effective interest rate of 2.5% at March 31, 2014 and 2.7% at December 31, 2013)	375	414
Senior notes maturing through 2039, interest rates ranging from 2.60% to 7.75% (weighted average interest rate of 5.8% at March 31, 2014 and 5.7% at December 31, 2013)	5,933	6,287
Tax-exempt bonds, maturing through 2045, fixed and variable interest rates ranging from 0.06% to 5.7% (weighted average interest rate of 2.3% at March 31, 2014 and December 31, 2013)	2,664	2,664
Capital leases and other, maturing through 2055, interest rates up to 12%	432	441
	10,194	10,226
Current portion of long-term debt	1,216	726
	$ 8,978	$ 9,500

Debt Classification

As of March 31, 2014, we had (i) $498 million of debt maturing within the next 12 months, including $350 million of 6.375% senior notes that mature in March 2015 and $82 million of tax-exempt bonds; (ii) $790 million of borrowings and advances outstanding under the U.S. revolving credit facility (“$2.25 billion revolving credit facility”) and (iii) $874 million of tax-exempt borrowings subject to repricing within the next 12 months. Of the $790 million of borrowings outstanding under our $2.25 billion revolving credit facility, we have classified $370 million of these borrowings as long-term because we intend and have the ability to refinance or maintain these borrowings on a long-term basis. Based on our intent and ability to refinance other portions of our current obligations on a long-term basis as of March 31, 2014, including through use of forecasted available capacity under our $2.25 billion revolving credit facility, we have classified an additional $576 million of debt as long-term. The remaining $1.2 billion, including $420 million of outstanding borrowings under our $2.25 billion revolving credit facility, is classified as current obligations.

Revolving Credit and Letter of Credit Facilities

As of March 31, 2014, we had an aggregate committed capacity of $2.65 billion for letters of credit under various U.S. credit facilities. Our $2.25 billion revolving credit facility expires in July 2018 and is our primary source of letter of credit capacity. Our remaining committed letter of credit capacity is provided under facilities with terms ending through December 2016. As of March 31, 2014, we had an aggregate of $1.3 billion of letters of credit outstanding under various credit facilities. Approximately $884 million of these letters of credit have been issued under our $2.25 billion revolving credit facility. As of March 31, 2014, we had outstanding borrowings under our $2.25 billion revolving credit facility of $790 million, leaving $576 million of unused and available capacity.

We also have a Canadian credit agreement that matures in November 2017 and provides for C$500 million of term credit and C$150 million of revolving credit capacity. We have the ability to issue up to C$50 million of letters of credit under the Canadian revolving credit facility, which if utilized, reduces the amount of credit capacity available for borrowings. The C$500 million of term credit was established specifically to fund the acquisition of the assets of RCI Environnement, Inc. and was fully drawn in July 2013. The term credit is non-revolving credit and principal amounts repaid may not be re-borrowed. As of March 31, 2014 and December 31, 2013, we had no letters of credit outstanding under the credit facility. We had outstanding borrowings of C$10 million at December 31, 2013 that were repaid with available cash during the first quarter of 2014.

Debt Borrowings and Repayments

$2.25 Billion Revolving Credit Facility — During the first quarter of 2014, we incurred $370 million of net borrowings under our $2.25 billion revolving credit facility principally to repay the $350 million of 5.0% senior notes that matured in March 2014.

Canadian Credit Facility and Term Loan — We repaid C$25 million, or $23 million, of net advances under our Canadian credit facility and term loan during the three months ended March 31, 2014 with available cash.

Senior Notes — We repaid $350 million of 5.0% senior notes that matured in March 2014 with proceeds from borrowings under our $2.25 billion revolving credit facility.

4. Derivative Instruments and Hedging Activities

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

Derivatives Designated as Hedging Instruments	Balance Sheet Location	March 31, 2014	December 31, 2013
Foreign currency derivatives	Long-term other assets	$ 12	$ 2
Total derivative assets		$ 12	$ 2
Electricity commodity derivatives	Current accrued liabilities	$ 4	$ 3
Foreign currency derivatives	Current accrued liabilities	1	—
Interest rate derivatives	Current accrued liabilities	—	28
Total derivative liabilities		$ 5	$ 31

We have not offset fair value amounts recognized for our derivative instruments. For information related to the inputs used to measure our derivative assets and liabilities at fair value, refer to Note 12.

Fair Value Hedges

Interest Rate Swaps

In prior years, we entered into interest rate swaps to maintain a portion of our debt obligations at variable market interest rates. We designated these interest rate swaps as fair value hedges of our fixed-rate senior notes. Fair value hedge accounting for interest rate swap contracts increased the carrying value of our debt instruments by $54 million as of March 31, 2014 and $59 million as of December 31, 2013. These fair value adjustments to long-term debt are being amortized as a reduction to interest expense using the effective interest method over the remaining life of the related senior notes issuances, which extend through 2028. We recognized benefits to interest expense associated with the amortization of our terminated interest rate swaps of $5 million for each of the three-month periods ended March 31, 2014 and 2013.

Cash Flow Hedges

Forward-Starting Interest Rate Swaps

During the first quarter of 2014, forward-starting interest rate swaps with a notional value of $175 million matured and we paid cash of $36 million to settle the associated liabilities. These swaps were designated as cash flow hedges and had been executed in prior years to hedge the risk of changes in semi-annual interest payments due to fluctuations in the forward ten-year LIBOR swap rate for a debt issuance initially forecasted for March 2014, now forecasted to occur in the second quarter of 2014. Accordingly, the loss associated with the matured forward-starting swaps has been deferred as a component of "Accumulated other comprehensive income" and will be amortized to interest expense over the debt term once the issuance occurs. We do not expect ineffectiveness to be material.

Additionally, at March 31, 2014 and December 31, 2013, our "Accumulated other comprehensive income" included $33 million and $34 million, respectively, of after-tax deferred losses related to all previously terminated swaps, which are being amortized as an increase to interest expense over the ten-year term of the related senior note issuances using the effective interest method. As of March 31, 2014, $7 million (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next 12 months for these previously terminated swaps.

Foreign Currency Derivatives

We use foreign currency exchange rate derivatives to hedge our exposure to fluctuations in exchange rates for anticipated intercompany cash transactions between WM Holdings and its Canadian subsidiaries. As of March 31, 2014, we had foreign exchange cross currency swaps outstanding for all of the anticipated cash flows associated with an intercompany loan from WM Holdings to the wholly-owned Canadian subsidiaries. The hedged cash flows as of March 31, 2014 include C$370 million of total notional value. The scheduled principal payments of the loan and the related swaps are as follows: C$70 million due on October 31, 2016, C$150 million due on October 31, 2017 and C$150 million due on October 31, 2018. We designated these cross currency swaps as cash flow hedges. Gains or losses resulting from the remeasurement of the underlying non-functional currency intercompany loan are recognized in current earnings in the same financial statement line item as offsetting gains or losses on the related cross currency swaps.

Electricity Commodity Derivatives

We use short-term "receive fixed, pay variable" electricity commodity swaps to reduce the variability in our revenues and cash flows caused by fluctuations in the market prices for electricity. We hedged 1.73 million megawatt hours, or approximately 56%, of Wheelabrator's full year 2013 merchant electricity sales and the swaps executed through March 31, 2014 are expected to hedge approximately 480,000 megawatt hours, or approximately 15%, of Wheelabrator's full year 2014 merchant electricity sales. For the three-month periods ended March 31, 2014 and 2013, we hedged 17% and 53%, respectively, of Wheelabrator's merchant electricity sales.

There was no significant ineffectiveness associated with our cash flow hedges during the three months ended March 31, 2014 or 2013. Refer to Note 11 for information regarding the impacts of our cash flow derivatives on our comprehensive income and results of operations.

Credit-Risk-Related Contingent Features

Our interest rate derivative instruments have in the past, and may in the future, contain provisions related to the Company's credit rating. These provisions generally provide that if the Company's credit rating were to fall to specified levels below investment grade, the counterparties have the ability to terminate the derivative agreements, resulting in settlement of all affected transactions. As of March 31, 2014 and December 31, 2013, we did not have any interest rate derivatives outstanding that contained these credit-risk-related features.

5. Income Taxes

Our effective income tax rate for the three months ended March 31, 2014 and 2013 was 29.6% and 32.8%, respectively. We evaluate our effective income tax rate at each interim period and adjust it as facts and circumstances warrant. The difference between federal income taxes computed at the federal statutory rate and reported income taxes for the three months ended March 31, 2014 was primarily due to the favorable impact of revaluation of our deferred taxes and utilization of state net operating losses resulting from a change in state law, and federal tax credits. These benefits were partially offset by the unfavorable impact of state and local income taxes. The difference between federal income taxes computed at the federal statutory rate and reported income taxes for the three months ended March 31, 2013 was primarily due to the favorable impact of federal tax credits and tax audit settlements offset, in part, by the unfavorable impact of state and local income taxes and tax implications related to impairments.

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

We account for our investment in this entity using the equity method of accounting, recognizing our share of the entity's results of operations and other reductions in the value of our investment in "Equity in net losses of unconsolidated entities," within our Condensed Consolidated Statement of Operations. During the three months ended March 31, 2014 and 2013, we recognized less than $1 million and $1 million, respectively, of net losses resulting from our share of the entity's operating losses. Our provision for income taxes for each of the three-month periods ended March 31, 2014 and 2013 was reduced by $3 million primarily as a result of tax credits realized from this investment. See Note 13 for additional information related to this investment.

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

We account for our investment in this entity using the equity method of accounting. We recognize our share of the entity's results of operations and other reductions in the value of our investment in "Equity in net losses of unconsolidated entities," within our Condensed Consolidated Statement of Operations. The value of our investment decreases as the tax credits are generated and utilized. During each of the three-month periods ended March 31, 2014 and 2013, we recognized $6 million of losses relating to our equity investment in this entity and $1 million of interest expense. For the three months ended March 31, 2014 and 2013, our provision for income taxes was reduced by $8 million (including $5 million of tax credits) and $7 million (including $4 million of tax credits), respectively. See Note 13 for additional information related to this investment.

Bonus Depreciation — The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and included an extension for one year of the bonus depreciation allowance. As a result, 50% of qualifying capital expenditures on property placed in service before January 1, 2014 were depreciated immediately. The acceleration of deductions on 2013 qualifying capital expenditures resulting from the bonus depreciation provisions had no impact on our effective income tax rate for 2013 although it reduced our cash taxes.

6. Earnings Per Share

Basic and diluted earnings per share were computed using the following common share data (shares in millions):

	Three Months Ended March 31,	
	2014	2013
Number of common shares outstanding at end of period	465.3	466.5
Effect of using weighted average common shares outstanding	(0.1)	(0.8)
Weighted average basic common shares outstanding	465.2	465.7
Dilutive effect of equity-based compensation awards and other contingently issuable shares	1.7	0.8
Weighted average diluted common shares outstanding	466.9	466.5
Potentially issuable shares	14.4	15.4
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	2.8	7.3

7. Commitments and Contingencies

Financial Instruments — We have obtained letters of credit, surety bonds and insurance policies and have established trust funds and issued financial guarantees to support tax-exempt bonds, contracts, performance of landfill final capping, closure and post-closure requirements, environmental remediation, and other obligations. Letters of credit generally are supported by our $2.25 billion revolving credit facility and other credit facilities established for that purpose. These facilities are discussed further in Note 3. Surety bonds and insurance policies are supported by (i) a diverse group of third-party surety and insurance companies; (ii) an entity in which we have a noncontrolling financial interest or (iii) wholly-owned insurance companies, the sole business of which is to issue surety bonds and/or insurance policies on our behalf.

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

Insurance — We carry insurance coverage for protection of our assets and operations from certain risks including automobile liability, general liability, real and personal property, workers' compensation, directors' and officers' liability, pollution legal liability and other coverages we believe are customary to the industry. Our exposure to loss for insurance claims is generally limited to the per incident deductible under the related insurance policy. Our exposure, however, could increase if our insurers are unable to meet their commitments on a timely basis.

We have retained a significant portion of the risks related to our automobile, general liability and workers' compensation claims programs. "General liability" refers to the self-insured portion of specific third party claims made against us that may be covered under our commercial General Liability Insurance Policy. For our self-insured retentions, the exposure for unpaid claims and associated expenses, including incurred but not reported losses, is based on an actuarial valuation and internal estimates. The accruals for these liabilities could be revised if future occurrences or loss development significantly differ from our assumptions. We do not expect the impact of any known casualty, property, environmental or other contingency to have a material impact on our financial condition, results of operations or cash flows.

Guarantees — In the ordinary course of our business, WM and WM Holdings enter into guarantee agreements associated with their subsidiaries' operations. Additionally, WM and WM Holdings have each guaranteed all of the senior debt of the other entity. No additional liabilities have been recorded for these intercompany guarantees because all of the underlying obligations are reflected in our Condensed Consolidated Balance Sheets.

We also have guaranteed the obligations and certain performance requirements of, and provided indemnification to, third parties in connection with both consolidated and unconsolidated entities. Guarantee agreements outstanding as of March 31, 2014 include (i) guarantees of unconsolidated entities' financial obligations maturing through 2020 for maximum future payments of $9 million and (ii) agreements guaranteeing certain market value losses for approximately 825 homeowners' properties adjacent to or near 20 of our landfills. Our indemnification obligations generally arise from divestitures and provide that we will be responsible for liabilities associated with our operations for events that occurred prior to the sale of the operations. Additionally, under certain of our acquisition agreements, we have provided for additional consideration to be paid to the sellers if established financial targets or other market conditions are achieved post-closing and we have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. We do not currently believe that contingent obligations to provide indemnification or pay additional post-closing consideration in connection with our divestitures or acquisitions will have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Environmental Matters — A significant portion of our operating costs and capital expenditures could be characterized as costs of environmental protection as we are subject to an array of laws and regulations relating to the protection of the environment. Under current laws and regulations, we may have liabilities for environmental damage caused by our operations, or for damage caused by conditions that existed before we acquired a site. In addition to remediation activity required by state or local authorities, such liabilities include potentially responsible party, or PRP, investigations. The costs associated with these liabilities can include settlements, certain legal and consultant fees, as well as incremental internal and external costs directly associated with site investigation and clean-up.

Estimating our degree of responsibility for remediation is inherently difficult. We recognize and accrue for an estimated remediation liability when we determine that such liability is both probable and reasonably estimable. Determining the method and ultimate cost of remediation requires that a number of assumptions be made. There can sometimes be a range of reasonable estimates of the costs associated with the likely site remediation alternatives identified in the investigation of the extent of environmental impact. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within a range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would be approximately $190 million higher than the $224 million recorded in the Condensed Consolidated Financial Statements as of March 31, 2014. Our ultimate responsibility may differ materially from current estimates. It is possible that technological, regulatory or enforcement developments, the results of environmental studies, the inability to identify other PRPs, the inability of other PRPs to contribute to the settlements of such liabilities, or other factors could require us to record additional liabilities. Our ongoing review of our remediation liabilities, in light of relevant internal and external facts and circumstances, could result in revisions to our accruals that could cause upward or downward adjustments to income from operations. These adjustments could be material in any given period.

As of March 31, 2014, we had been notified by the government that we are a PRP in connection with 77 locations listed on the EPA's Superfund National Priorities List, or NPL. Of the 77 sites at which claims have been made against us, 14 are sites we own. Each of the NPL sites we own was initially developed by others as a landfill disposal facility. At each of these facilities, we are working in conjunction with the government to evaluate or remediate identified site problems, and we have either agreed with other legally liable parties on an arrangement for sharing the costs of remediation or are working toward a cost-sharing agreement. We generally expect to receive any amounts due from other participating parties at or near the time that we make the remedial expenditures. The other 63 NPL sites, which we do not own, are at various procedural stages under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, known as CERCLA or Superfund.

The majority of these proceedings involving NPL sites that we do not own are based on allegations that certain of our subsidiaries (or their predecessors) transported hazardous substances to the sites, often prior to our acquisition of these subsidiaries. CERCLA generally provides for liability for those parties owning, operating, transporting to or disposing at the sites. Proceedings arising under Superfund typically involve numerous waste generators and other waste transportation and disposal companies and seek to allocate or recover costs associated with site investigation and remediation, which costs could be substantial and could have a material adverse effect on our consolidated financial statements. At some of the sites at which we have been identified as a PRP, our liability is well defined as a consequence of a governmental decision and an agreement among liable parties as to the share each will pay for implementing that remedy. At other sites, where no remedy has been selected or the liable parties have been unable to agree on an appropriate allocation, our future costs are uncertain.

Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings, or such proceedings are known to be contemplated, unless we reasonably believe that the matter will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than $100,000. The following matter is disclosed in accordance with that requirement. We do not currently believe that the eventual outcome of such matter could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

On December 22, 2011, the Harris County Attorney in Houston, Texas filed suit against McGinnes Industrial Maintenance Corporation ("MIMC"), WM and Waste Management of Texas, Inc., et. al, seeking civil penalties and attorneys' fees for alleged violations of the Texas Water Code and the Texas Health and Safety Code. The County's Original Petition pending in the District Court of Harris County, Texas alleges the mismanagement of certain waste pits that were operated from 1965 to 1966 by MIMC. In 1998, a predecessor of WM acquired the stock of the parent entity of MIMC.

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

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

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

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

WM's charter and bylaws provide that WM shall indemnify any person against all liabilities and expenses, and upon request shall advance expenses to any person, who is subject to a pending or threatened proceeding because such person is a director or officer of the Company. Such indemnification is required to the maximum extent permitted under Delaware law. Accordingly, the director or officer must execute an undertaking to reimburse the Company for any fees advanced if it is later determined that the director or officer was not entitled to have such fees advanced under Delaware law. Additionally, WM has entered into separate indemnification agreements with each of the members of its Board of Directors, its Chief Executive Officer and each of its executive vice presidents. The employment agreements between WM and its Chief Executive Officer and other executive and senior vice presidents contain a direct contractual obligation of the Company to provide indemnification to the executive. The Company may incur substantial expenses in connection with the fulfillment of its advancement of costs and indemnification obligations in connection with actions or proceedings that may be brought against its former or current officers, directors and employees.

Multiemployer Defined Benefit Pension Plans — About 20% of our workforce is covered by collective bargaining agreements with various union locals across the United States and Canada. As a result of some of these agreements, certain of our subsidiaries are participating employers in a number of trustee-managed multiemployer defined benefit pension plans for the covered employees. In connection with our ongoing renegotiation of various collective bargaining agreements, we may discuss and negotiate for the complete or partial withdrawal from one or more of these pension plans. A complete or partial withdrawal from a multiemployer pension plan may also occur if employees covered by a collective bargaining agreement vote to decertify a union from continuing to represent them. Any other circumstance resulting in a decline in Company contributions to a multiemployer defined benefit pension plan through a reduction in the labor force, whether through attrition over time or through a business event (such as the discontinuation or nonrenewal of a customer contract, the decertification of a union, or relocation, reduction or discontinuance of certain operations) may also trigger a complete or partial withdrawal from one or more of these pension plans.

One of the most significant multiemployer pension plans in which we have participated is the Central States, Southeast and Southwest Areas Pension Plan ("Central States Pension Plan"). The Central States Pension Plan is in "critical status," as defined by the Pension Protection Act of 2006. Since 2008, certain of our affiliates have bargained to remove covered employees from the Central States Pension Plan, resulting in a series of withdrawals, and we have recognized charges to "Operating" expense associated

with the withdrawal of certain bargaining units from the Central States Pension Plan and other underfunded multiemployer pension plans. In October 2011, employees at the last of our affiliates with active participants in the Central States Pension Plan voted to decertify the union that represented them, withdrawing themselves from the Central States Pension Plan. The Company believes there are no collective bargaining agreements remaining that require continuing contributions to this plan; however, this point is the subject of pending litigation with the trustees for the Central States, Southeast and Southwest Areas Pension Plan.

We are still negotiating and litigating final resolutions of our withdrawal liability for certain previous withdrawals. Except in the case of our withdrawals from the Central States Pension Plan, we do not believe any additional liability above the charges we have already recognized for such previous withdrawals could be material to the Company's business, financial condition, liquidity, results of operations or cash flows. In addition to charges recognized in prior years, we currently estimate that we could incur up to approximately $40 million in future charges based on demands from representatives of the Central States Pension Plan. As a result, we do not anticipate that the final resolution of the Central States Pension Plan matter could be material to the Company's business, financial condition or liquidity; however, such loss could have a material adverse effect on our cash flows and, to a lesser extent, our results of operations, for a particular reporting period. Similarly, we also do not believe that any future withdrawals, individually or in the aggregate, from the multiemployer pension plans to which we contribute, could have a material adverse effect on our business, financial condition or liquidity. However, such withdrawals could have a material adverse effect on our results of operations or cash flows for a particular reporting period, depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer pension plan(s) at the time of such withdrawal(s).

Tax Matters — We are currently in the examination phase of IRS audits for the tax years 2013 and 2014 and expect these audits to be completed within the next 12 and 24 months, respectively. We participate in the IRS's Compliance Assurance Process, which means we work with the IRS throughout the year in order to resolve any material issues prior to the filing of our annual tax return. We are also currently undergoing audits by various state and local jurisdictions for tax years that date back to 2005, with the exception of affirmative claims in one jurisdiction that date back to 2000. We are not currently under audit in Canada and all tax years prior to 2009 are closed. In July 2011, we acquired Oakleaf Global Holdings ("Oakleaf"), which is subject to potential IRS examinations for the years 2010 and 2011. Pursuant to the terms of our acquisition of Oakleaf, we are entitled to indemnification for Oakleaf's pre-acquisition period tax liabilities. We maintain a liability for uncertain tax positions, the balance of which management believes is adequate. Results of audit assessments by taxing authorities are not currently expected to have a material adverse impact on our results of operations or cash flows.

8. Segment and Related Information

Our senior management evaluates, oversees and manages the financial performance of our Solid Waste subsidiaries through our 17 geographic Areas. These 17 Areas constitute our operating segments and none of the Areas individually meet the quantitative criteria to be a separate reportable segment. We have evaluated the aggregation criteria and concluded that, based on the similarities between our Areas, including the fact that our Solid Waste business is homogenous across geography with the same services offered across the Areas, aggregation of our Areas is appropriate for purposes of presenting our reportable segments. Accordingly, we have aggregated our 17 Areas into three tiers that we believe have similar economic characteristics and future prospects based in large part on a review of the Areas' income from operations margins. The economic variations experienced by our Areas is attributable to a variety of factors, including regulatory environment of the Area; economic environment of the Area, including level of commercial and industrial activity; population density; service offering mix and disposal logistics, with no one factor being singularly determinative of an Area's current or future economic performance. As a result of our consideration of economic and other similarities, we have established the following three reportable segments for our Solid Waste business: Tier 1, which is comprised almost exclusively of Areas in the Southern United States; Tier 2, which is comprised predominately of Areas located in the Midwest and Northeast United States; and Tier 3, which encompasses all remaining Areas, including the Northwest and Mid-Atlantic regions of the United States and Eastern Canada. Our Wheelabrator business, which manages waste-to-energy facilities and independent power production plants, continues to be a separate reportable segment as it meets one of the quantitative disclosure thresholds. The operating segments not evaluated and overseen through the 17 Areas and Wheelabrator are presented herein as "Other" as these operating segments do not meet the criteria to be aggregated with other operating segments and do not meet the quantitative criteria to be separately reported.

Summarized financial information concerning our reportable segments is shown in the following table (in millions):

	Gross Operating Revenues	Intercompany Operating Revenues	Net Operating Revenues	Income from Operations
Three Months Ended:				
March 31, 2014				
Solid Waste:				
Tier 1	$ 850	$ (129)	$ 721	$ 218
Tier 2	1,502	(268)	1,234	284
Tier 3	847	(135)	712	124
Solid Waste	3,199	(532)	2,667	626
Wheelabrator	230	(27)	203	34
Other	547	(21)	526	(18)
	3,976	(580)	3,396	642
Corporate and Other	—	—	—	(173)
Total	$ 3,976	$ (580)	$ 3,396	$ 469
March 31, 2013				
Solid Waste:				
Tier 1	$ 843	$ (133)	$ 710	$ 207
Tier 2	1,516	(275)	1,241	298
Tier 3	826	(128)	698	109
Solid Waste	3,185	(536)	2,649	614
Wheelabrator	205	(27)	178	9
Other	534	(25)	509	(41)
	3,924	(588)	3,336	582
Corporate and Other	—	—	—	(180)
Total	$ 3,924	$ (588)	$ 3,336	$ 402

During the first quarter of 2014, we experienced significantly higher revenues in our Wheelabrator business and the renewable energy operations in Solid Waste from temporarily higher electricity prices driven by weather-related demand. This increase in revenues offset reduced revenues in our collection and disposal operations due to inclement weather.

Fluctuations in our operating results may be caused by many factors, including period-to-period changes in the relative contribution of revenue by each line of business, changes in commodity prices and by general economic conditions. In addition, our revenues and income from operations typically reflect seasonal patterns. Our operating revenues tend to be somewhat higher in the summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. The operating results of our first quarter also often reflect higher repair and maintenance expenses because we rely on the slower winter months, when waste flows are generally lower, to perform scheduled maintenance at our waste-to-energy facilities.

Service disruptions caused by severe storms, extended periods of inclement weather or climate extremes can significantly affect the operating results of the affected Areas. On the other hand, certain destructive weather conditions that tend to occur during the second half of the year, such as the hurricanes that most often impact our operations in the Southern and Eastern U.S., can actually increase our revenues in the areas affected. While weather-related and other "one-time" occurrences can boost revenues through additional work for a limited time span, as a result of significant start-up costs and other factors, such revenue sometimes generates earnings at comparatively lower margins.

9. Acquisitions

Greenstar, LLC — On January 31, 2013, we paid $170 million inclusive of certain adjustments to acquire Greenstar, LLC ("Greenstar"). Pursuant to the sale and purchase agreement, up to an additional $40 million is payable to the sellers during the period from 2014 to 2018, of which $20 million is guaranteed. The remaining $20 million of this consideration is contingent, based on changes in certain recyclable commodity indexes, and had a preliminary estimated fair value at closing of $16 million. Greenstar was an operator of recycling and resource recovery facilities. This acquisition provides the Company's customers with greater access to recycling solutions, having supplemented our extensive nationwide recycling network with the operations of one of the nation's largest private recyclers.

Goodwill of $122 million was calculated as the excess of the consideration paid over the net assets recognized and represents the future economic benefits expected to arise from other assets acquired that could not be individually identified and separately recognized. Goodwill has been assigned predominantly to our Areas and, to a lesser extent, our recycling brokerage services, as they are expected to benefit from the synergies of the combination. Goodwill related to this acquisition is deductible for income tax purposes. There were no material adjustments to the purchase price allocation from the date of acquisition.

RCI Environnement, Inc. — On July 5, 2013, we paid C$509 million, or $481 million, to acquire substantially all of the assets of RCI Environnement, Inc. ("RCI"), the largest waste management company in Quebec, and certain related entities. Total consideration, inclusive of amounts for estimated working capital, was C$515 million, or $487 million. RCI provides collection, transfer, recycling and disposal operations throughout the Greater Montreal area. The acquired RCI operations complement and expand the Company's existing assets and operations in Quebec.

Goodwill of $191 million was calculated as the excess of the consideration paid over the net assets recognized and represents the future economic benefits expected to arise from other assets acquired that could not be individually identified and separately recognized. Goodwill has been assigned to our Eastern Canada Area as it is expected to benefit from the synergies of the combination. A portion of goodwill related to this acquisition is deductible for income tax purposes in accordance with Canadian tax law.

The allocation of the purchase price for the Greenstar acquisition is final. The allocation of the purchase price for the RCI acquisition is preliminary and subject to change based on the finalization of our detailed valuations. The following table presents the final allocation of the purchase price for Greenstar and adjustments since the acquisition date to the allocation of the purchase price for RCI (in millions):

		RCI		
	Greenstar	July 5, 2013	Adjustments	March 31, 2014
Accounts and other receivables	$ 30	$ 32	$ —	$ 32
Parts and supplies	4	—	—	—
Other current assets	2	—	—	—
Property and equipment	58	118	(1)	117
Goodwill	122	177	14	191
Other intangible assets	32	169	—	169
Accounts payable	(17)	—	—	—
Accrued liabilities	(12)	—	—	—
Deferred revenues	—	(4)	—	(4)
Landfill and environmental remediation liabilities	(2)	(1)	—	(1)
Deferred income taxes, net	—	—	(14)	(14)
Current portion of long-term debt	(4)	—	—	—
Long-term debt, less current portion	(2)	(4)	1	(3)
Other liabilities	(5)	—	—	—
Total purchase price	$ 206	$ 487	$ —	$ 487

The following table presents the final and preliminary allocations of the purchase price for Greenstar and RCI, respectively, to other intangible assets (amounts in millions, except for amortization periods):

	Greenstar		RCI	
	Amount	Weighted Average Amortization Periods (in Years)	Amount	Weighted Average Amortization Periods (in Years)
Customer relationships	$ —	—	$ 162	15.0
Supplier relationships	31	10.0	—	—
Lease agreements	1	8.4	—	—
Trade name	—	—	7	5.0
Total other intangible assets subject to amortization	$ 32	10.0	$ 169	14.6

The following pro forma consolidated results of operations have been prepared as if the acquisitions of Greenstar and RCI occurred at January 1, 2013 (in millions, except per share amounts):

	Three Months Ended March 31, 2013
Operating revenues	$ 3,391
Net income attributable to Waste Management, Inc.	167
Basic earnings per common share	0.36
Diluted earnings per common share	0.36

10. Asset Impairments and Unusual Items

Other income (expense)

In the first quarter of 2014, we sold our investment in Shanghai Environment Group, which was part of our Wheelabrator business. We received cash proceeds from the sale of $155 million, which have been included in "Proceeds from divestitures of businesses and other assets (net of cash divested)" within "Net cash used in investing activities" in the Condensed Consolidated Statement of Cash Flows. The losses recognized related to the sale were not material and are recorded in "Other, net" in our Condensed Consolidated Statement of Operations.

During the first quarter of 2013, we recognized impairment charges of $11 million relating to other-than-temporary declines in the value of investments in waste diversion technology companies accounted for under the cost method. We wrote down the carrying value of our investments to their fair value based on third-party investors' recent transactions in these securities. These charges are recorded in "Other, net" in our Condensed Consolidated Statement of Operations.

11. Accumulated Other Comprehensive Income

The changes in the balances of each component of accumulated other comprehensive income, net of tax, which is included as a component of Waste Management, Inc. stockholders' equity, are as follows (in millions, with amounts in parentheses representing debits to accumulated other comprehensive income):

	Derivative Instruments	Available-for-Sale Securities	Foreign Currency Translation Adjustments	Post-Retirement Benefit Plans	Total
Balance, December 31, 2013	$ (62)	$ 6	$ 208	$ 2	$154
Other comprehensive income (loss) before reclassifications net of tax expense (benefit) of $(3), $0, $0 and $0, respectively	(5)	—	(42)	—	(47)
Amounts reclassified from accumulated other comprehensive income net of tax (expense) benefit of $(1), $0, $0 and $0, respectively	(1)	—	(17)	—	(18)
Net current period other comprehensive income (loss)	(6)	—	(59)	—	(65)
Balance, March 31, 2014	$ (68)	$ 6	$ 149	$ 2	$ 89

The amounts of other comprehensive income (loss) before reclassifications associated with our cash flow derivative instruments are as follows (in millions):

Derivatives Designated as Cash Flow Hedges	Amount of Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months Ended March 31, 2014	2013
Forward-starting interest rate swaps	$ (8)	$ 2
Foreign currency derivatives	10	7
Electricity commodity derivatives	(10)	(10)
Total before tax	(8)	(1)
Tax (expense) benefit	3	—
Net of tax	$ (5)	$ (1)

The significant amounts reclassified out of each component of accumulated other comprehensive income are as follows (in millions, with amounts in parentheses representing debits to the statement of operations classification):

Detail About Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income Three Months Ended March 31, 2014	2013	Statement of Operations Classification
Gains and losses on cash flow hedges:			
Forward-starting interest rate swaps	$ (1)	$ (2)	Interest expense
Treasury rate locks	(1)	—	Interest expense
Foreign currency derivatives	13	8	Other, net
Electricity commodity derivatives	(9)	(5)	Operating revenues
	2	1	Total before tax
	(1)	—	Tax (expense) benefit
Total reclassifications for the period	$ 1	$ 1	Net of tax

12. Fair Value Measurements

Assets and Liabilities Accounted for at Fair Value

Our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

		Fair Value Measurements at March 31, 2014 Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(a)
Assets:				
Money market funds	$ 83	$ 83	$ —	$ —
Fixed-income securities	36	—	36	—
Redeemable preferred stock	25	—	—	25
Foreign currency derivatives	12	—	12	—
Total assets	$156	$ 83	$ 48	$ 25
Liabilities:				
Electricity commodity derivatives	$ 4	$ —	$ 4	$ —
Foreign currency derivatives	1	—	1	—
Total liabilities	$ 5	$ —	$ 5	$ —

		Fair Value Measurements at December 31, 2013 Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)(a)
Assets:				
Money market funds	$ 99	$ 99	$ —	$ —
Fixed-income securities	36	—	36	—
Redeemable preferred stock	25	—	—	25
Foreign currency derivatives	2	—	2	—
Total assets	$162	$ 99	$ 38	$ 25
Liabilities:				
Interest rate derivatives	$ 28	$ —	$ 28	$ —
Electricity commodity derivatives	3	—	3	—
Total liabilities	$ 31	$ —	$ 31	$ —

(a) Level 3 investments have been measured based on third-party investors' recent or pending transactions in these securities, which are considered the best evidence of fair value currently available. When this evidence is not available, we use other valuation techniques as appropriate and available. These valuation methodologies may include transactions in similar instruments, discounted cash flow analysis, third-party appraisals or industry multiples and public comparables. There has not been any significant change in the fair value of the redeemable preferred stock since our assessment at December 31, 2013.

Fair Value of Debt

At March 31, 2014 and December 31, 2013, the carrying value of our debt was approximately $10.2 billion. The carrying value of our debt includes adjustments associated with fair value hedge accounting related to our interest rate swaps as discussed in Note 4.

The estimated fair value of our debt was approximately $11.2 billion at March 31, 2014 and approximately $11.0 billion at December 31, 2013. The estimated fair value of our senior notes is based on quoted market prices. The carrying value of remarketable debt and borrowings under our revolving credit facilities approximates fair value due to the short-term nature of the interest rates. The fair value of our other debt is estimated using discounted cash flow analysis, based on current market rates for similar types of instruments.

Although we have determined the estimated fair value amounts using available market information and commonly accepted valuation methodologies, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, our estimates are not necessarily indicative of the amounts that we, or holders of the instruments, could realize in a current market exchange. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The fair value estimates are based on Level 2 inputs of the fair value hierarchy available as of March 31, 2014 and December 31, 2013. These amounts have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

13. Variable Interest Entities

Following is a description of our financial interests in variable interest entities that we consider significant, including (i) those for which we have determined that we are the primary beneficiary of the entity and, therefore, have consolidated the entities into our financial statements; (ii) those that represent a significant interest in an unconsolidated entity and (iii) trusts for final capping, closure, post-closure or environmental remediation obligations for both consolidated and unconsolidated variable interest entities.

Consolidated Variable Interest Entities

Waste-to-Energy LLCs — In June 2000, two limited liability companies were established to purchase interests in existing leveraged lease financings at three waste-to-energy facilities that we lease, operate and maintain. We own a 0.5% interest in one of the LLCs (“LLC I”) and a 0.25% interest in the second LLC (“LLC II”). John Hancock Life Insurance Company (“Hancock”) owns 99.5% of LLC I and 99.75% of LLC II is owned by LLC I and the CIT Group (“CIT”). In 2000, Hancock and CIT made an initial investment of $167 million in the LLCs, which was used to purchase the three waste-to-energy facilities and assume the seller’s indebtedness. Under the LLC agreements, the LLCs shall be dissolved upon the occurrence of any of the following events: (i) a written decision of all members of the LLCs; (ii) December 31, 2063; (iii) a court’s dissolution of the LLCs or (iv) the LLCs ceasing to own any interest in the waste-to-energy facilities.

Income, losses and cash flows of the LLCs are allocated to the members based on their initial equity ownership percentages until Hancock and CIT achieve targeted returns on their initial capital investments in each respective LLC. All allocations made through March 31, 2014 have been based on initial equity ownership percentages as the target returns have not yet been achieved for either LLC. We currently expect Hancock and CIT to achieve their targeted return on LLC II in early 2015 and Hancock to achieve its targeted return on LLC I in mid-2015. After the investors have achieved their targeted returns, the LLC agreements provide that we will receive 80% of the earnings of each of the LLCs and Hancock and CIT will be allocated the remaining 20%.

Our obligations associated with our interests in the LLCs are primarily related to the lease of the facilities. In addition to our minimum lease payment obligations, we are required to make cash payments to the LLCs for differences between fair market rents and our minimum lease payments. These payments are subject to adjustment based on factors that include the fair market value of rents for the facilities and lease payments made through the re-measurement dates. In addition, we may also be required under certain circumstances to make capital contributions to the LLCs based on differences between the fair market value of the facilities and defined termination values as provided for in the underlying lease agreements, although we believe the likelihood of the occurrence of these circumstances is remote.

We have determined that we are the primary beneficiary of the LLCs and consolidate these entities in our Consolidated Financial Statements because (i) all of the equity owners of the LLCs are considered related parties for purposes of applying this accounting guidance; (ii) the equity owners share power over the significant activities of the LLCs and (iii) we are the entity within the related party group whose activities are most closely associated with the LLCs.

As of March 31, 2014 and December 31, 2013, our Condensed Consolidated Balance Sheets included $281 million and $284 million, respectively, of net property and equipment associated with the LLCs' waste-to-energy facilities and $247 million and $239 million, respectively, in noncontrolling interests associated with Hancock's and CIT's interests in the LLCs. During each of the three-month periods ended March 31, 2014 and 2013, we recognized reductions in earnings of $11 million for Hancock's and CIT's noncontrolling interests in the LLCs' earnings which are included in our consolidated net income. The LLCs' earnings relate to the rental income generated from leasing the facilities to our subsidiaries, reduced by depreciation expense. The LLCs' rental income is eliminated in WM's consolidation.

Significant Unconsolidated Variable Interest Entities

Investment in U.K. Waste-to-Energy and Recycling Entity — In the first quarter of 2012, we formed a U.K. joint venture (the "JV"), together with a commercial waste management company ("Partner"), to develop, construct, operate and maintain a waste-to-energy and recycling facility in England. We own a 50% interest in the JV. The total cost of constructing this facility was expected to be £200 million, or $333 million, based on the exchange rate as of March 31, 2014. The JV was to be funded primarily through loans from the joint venture partners and loans under the JV's credit facility agreements with third-party financial institutions. We committed to provide funding of up to £57 million, or $95 million, based on the exchange rate as of March 31, 2014. Through March 31, 2014, we had funded approximately £12 million, or $20 million, through loans and less than $1 million through equity contributions. These amounts are included in our Condensed Consolidated Balance Sheet as long-term "Other assets" and "Investments in unconsolidated entities," respectively. In addition to the funding commitments described above, the JV has entered into certain foreign currency and interest rate derivatives at the direction of the Norfolk County Council (the "Council"), which awarded the project to the JV. The impacts of gains or losses incurred on these derivatives will ultimately be remitted to or recoverable from the Council under the terms of the project, and accordingly, are not reflected in our "Equity in net losses of unconsolidated entities."

We determined that we are not the primary beneficiary of the JV, as all major decisions of the JV require either majority vote or unanimous consent of the directors (who are appointed in equal numbers by us and our Partner) or unanimous consent of the two shareholders of the JV. As such, our Partner shares equally in the power to direct the activities of the JV that most significantly impact its economic performance. Accordingly, we account for this investment under the equity method of accounting and do not consolidate this entity.

On April 7, 2014, the Council voted to terminate the project and its agreements with the JV. Unless the Council reverses its decision, which is not currently anticipated, the Council will owe the JV approximately £30 million, or $50 million, based on the exchange rate as of March 31, 2014, comprised of termination fees and reimbursements required by its agreements with the JV. As a result, any impairment resulting from the termination of the project that we record on account of our interest in the JV will not be material.

Investment in Refined Coal Facility — In January 2011, we acquired a noncontrolling interest in a limited liability company established to invest in and manage a refined coal facility. Along with the other equity investor, we support the operations of the entity in exchange for a pro-rata share of the tax credits it generates. Our initial consideration for this investment consisted of a cash payment of $48 million. As of March 31, 2014 and December 31, 2013, our investment balance was $31 million and $27 million, respectively, representing our current maximum pre-tax exposure to loss. Under the terms and conditions of the transaction, we do not believe that we have any material exposure to loss. Required capital contributions commenced in the first quarter of 2013 and will continue through the expiration of the tax credits under Section 45 of the Internal Revenue Code, which occurs at the end of 2019. We are only obligated to make future contributions to the extent tax credits are generated. We determined that we are not the primary beneficiary of this entity as we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate the entity. Additional information related to this investment is discussed in Note 5.

Investment in Low-Income Housing Properties — In April 2010, we acquired a noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties. We support the operations of the entity in exchange for a pro-rata share of the tax credits it generates. Our target return on the investment is guaranteed and, therefore, we do not believe that we have any material exposure to loss. Our consideration for this investment totaled $221 million, which was comprised of a $215 million note payable and an initial cash payment of $6 million. At March 31, 2014 and December 31, 2013, our investment balance was $123 million and $129 million, respectively, and our debt balance was $122 million and $128 million, respectively. We determined that we are not the primary beneficiary of this entity as we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate the entity. Additional information related to this investment is discussed in Note 5.

Trusts for Final Capping, Closure, Post-Closure or Environmental Remediation Obligations

We have significant financial interests in trust funds that were created to settle certain of our final capping, closure, post-closure or environmental remediation obligations. Generally, we are the sole beneficiary of these restricted balances; however, certain of the funds have been established for the benefit of both the Company and the host community in which we operate. We have determined that these trust funds are variable interest entities; however, we are not the primary beneficiary of these entities because either (i) we do not have the power to direct the significant activities of the trusts or (ii) power over the trusts' significant activities is shared.

We account for the trusts for which we are the sole beneficiary as long-term "Other assets" in our Condensed Consolidated Balance Sheet. We reflect our interests in the unrealized gains and losses on available-for-sale securities held by these trusts as a component of "Accumulated other comprehensive income." These trusts had a fair value of $125 million at March 31, 2014 and at December 31, 2013. Our interests in the trusts that have been established for the benefit of both the Company and the host community in which we operate are accounted for as investments in unconsolidated entities and receivables. These amounts are recorded in "Other receivables," "Investments in unconsolidated entities" and long-term "Other assets" in our Condensed Consolidated Balance Sheet, as appropriate. Our investments and receivables related to these trusts had an aggregate carrying value of $110 million as of March 31, 2014 and December 31, 2013.

As the party with primary responsibility to fund the related final capping, closure, post-closure or environmental remediation activities, we are exposed to risk of loss as a result of potential changes in the fair value of the assets of the trust. The fair value of trust assets can fluctuate due to (i) changes in the market value of the investments held by the trusts and (ii) credit risk associated with trust receivables. Although we are exposed to changes in the fair value of the trust assets, we currently expect the trust funds to continue to meet the statutory requirements for which they were established.

14. Condensed Consolidating Financial Statements

WM Holdings has fully and unconditionally guaranteed all of WM's senior indebtedness. WM has fully and unconditionally guaranteed all of WM Holdings' senior indebtedness. None of WM's other subsidiaries have guaranteed any of WM's or WM Holdings' debt. As a result of these guarantee arrangements, we are required to present the following condensed consolidating financial information (in millions):

CONDENSED CONSOLIDATING BALANCE SHEETS
March 31, 2014
(Unaudited)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 339	$ —	$ 339
Other current assets	—	6	2,190	—	2,196
	—	6	2,529	—	2,535
Property and equipment, net	—	—	12,170	—	12,170
Investments in and advances to affiliates	12,136	16,519	4,498	(33,153)	—
Other assets	41	12	7,684	—	7,737
Total assets	$12,177	$16,537	$ 26,881	$ (33,153)	$ 22,442
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 772	$ —	$ 444	$ —	$ 1,216
Accounts payable and other current liabilities	65	5	2,071	—	2,141
	837	5	2,515	—	3,357
Long-term debt, less current portion	5,603	449	2,926	—	8,978
Other liabilities	—	—	4,068	—	4,068
Total liabilities	6,440	454	9,509	—	16,403
Equity:					
Stockholders' equity	5,737	16,083	17,070	(33,153)	5,737
Noncontrolling interests	—	—	302	—	302
	5,737	16,083	17,372	(33,153)	6,039
Total liabilities and equity	$12,177	$16,537	$ 26,881	$ (33,153)	$ 22,442

CONDENSED CONSOLIDATING BALANCE SHEETS (Continued)

December 31, 2013

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 58	$ —	$ 58
Other current assets	—	6	2,435	—	2,441
	—	6	2,493	—	2,499
Property and equipment, net	—	—	12,344	—	12,344
Investments in and advances to affiliates	12,133	16,246	4,268	(32,647)	—
Other assets	42	12	7,706	—	7,760
Total assets	$12,175	$16,264	$ 26,811	$ (32,647)	$ 22,603
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 587	$ —	$ 139	$ —	$ 726
Accounts payable and other current liabilities	109	13	2,166	—	2,288
	696	13	2,305	—	3,014
Long-term debt, less current portion	5,772	449	3,279	—	9,500
Other liabilities	—	—	4,087	—	4,087
Total liabilities	6,468	462	9,671	—	16,601
Equity:					
Stockholders' equity	5,707	15,802	16,845	(32,647)	5,707
Noncontrolling interests	—	—	295	—	295
	5,707	15,802	17,140	(32,647)	6,002
Total liabilities and equity	$12,175	$16,264	$ 26,811	$ (32,647)	$ 22,603

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended March 31, 2014
(Unaudited)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	$—	$ —	$ 3,396	$ —	$ 3,396
Costs and expenses	—	—	2,927	—	2,927
Income from operations	—	—	469	—	469
Other income (expense):					
Interest expense, net	(87)	(8)	(26)	—	(121)
Equity in earnings of subsidiaries, net of taxes	281	286	—	(567)	—
Other, net	—	—	(12)	—	(12)
	194	278	(38)	(567)	(133)
Income before income taxes	194	278	431	(567)	336
Provision for (benefit from) income taxes	(34)	(3)	136	—	99
Consolidated net income	228	281	295	(567)	237
Less: Net income attributable to noncontrolling interests	—	—	9	—	9
Net income attributable to Waste Management, Inc.	$228	$ 281	$ 286	$ (567)	$ 228

Three Months Ended March 31, 2013
(Unaudited)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating revenues	$—	$ —	$ 3,336	$ —	$ 3,336
Costs and expenses	—	—	2,934	—	2,934
Income from operations	—	—	402	—	402
Other income (expense):					
Interest expense, net	(89)	(8)	(24)	—	(121)
Equity in earnings of subsidiaries, net of taxes	222	227	—	(449)	—
Other, net	—	—	(19)	—	(19)
	133	219	(43)	(449)	(140)
Income before income taxes	133	219	359	(449)	262
Provision for (benefit from) income taxes	(35)	(3)	124	—	86
Consolidated net income	168	222	235	(449)	176
Less: Net income attributable to noncontrolling interests	—	—	8	—	8
Net income attributable to Waste Management, Inc.	$168	$ 222	$ 227	$ (449)	$ 168

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Three Months Ended March 31, 2014					
Comprehensive income	$224	$ 281	$ 234	$ (567)	$ 172
Less: Comprehensive income attributable to noncontrolling interests	—	—	9	—	9
Comprehensive income attributable to Waste Management, Inc.	$224	$ 281	$ 225	$ (567)	$ 163
Three Months Ended March 31, 2013					
Comprehensive income	$170	$ 222	$ 200	$ (449)	$ 143
Less: Comprehensive income attributable to noncontrolling interests	—	—	8	—	8
Comprehensive income attributable to Waste Management, Inc.	$170	$ 222	$ 192	$ (449)	$ 135

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2014

(Unaudited)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Consolidated net income	$ 228	$ 281	$ 295	$ (567)	$ 237
Equity in earnings of subsidiaries, net of taxes	(281)	(286)	—	567	—
Other adjustments	(54)	(8)	409	—	347
Net cash provided by (used in) operating activities	(107)	(13)	704	—	584
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(11)	—	(11)
Capital expenditures	—	—	(266)	—	(266)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	166	—	166
Net receipts from restricted trust and escrow accounts and other, net	—	—	(11)	—	(11)
Net cash provided by (used in) investing activities	—	—	(122)	—	(122)
Cash flows from financing activities:					
New borrowings	870	—	43	—	913
Debt repayments	(850)	—	(78)	—	(928)
Cash dividends	(174)	—	—	—	(174)
Exercise of common stock options	14	—	—	—	14
Distributions paid to noncontrolling interests and other	1	—	(5)	—	(4)
(Increase) decrease in intercompany and investments, net	246	13	(259)	—	—
Net cash provided by (used in) financing activities	107	13	(299)	—	(179)
Effect of exchange rate changes on cash and cash equivalents	—	—	(2)	—	(2)
Increase (decrease) in cash and cash equivalents	—	—	281	—	281
Cash and cash equivalents at beginning of period	—	—	58	—	58
Cash and cash equivalents at end of period	$ —	$ —	$ 339	$ —	$ 339

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)

Three Months Ended March 31, 2013

(Unaudited)

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Consolidated net income	$ 168	$ 222	$ 235	$ (449)	$ 176
Equity in earnings of subsidiaries, net of taxes	(222)	(227)	—	449	—
Other adjustments	(16)	(8)	425	—	401
Net cash provided by (used in) operating activities	(70)	(13)	660	—	577
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(180)	—	(180)
Capital expenditures	—	—	(266)	—	(266)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	—	—	37	—	37
Net receipts from restricted trust and escrow accounts and other, net	—	—	(12)	—	(12)
Net cash provided by (used in) investing activities	—	—	(421)	—	(421)
Cash flows from financing activities:					
New borrowings	225	—	19	—	244
Debt repayments	(125)	—	(26)	—	(151)
Cash dividends	(170)	—	—	—	(170)
Exercise of common stock options	38	—	—	—	38
Distributions paid to noncontrolling interests and other	6	—	(8)	—	(2)
(Increase) decrease in intercompany and investments, net	181	13	(194)	—	—
Net cash provided by (used in) financing activities	155	13	(209)	—	(41)
Effect of exchange rate changes on cash and cash equivalents	—	—	(2)	—	(2)
Increase (decrease) in cash and cash equivalents	85	—	28	—	113
Cash and cash equivalents at beginning of period	60	—	134	—	194
Cash and cash equivalents at end of period	$ 145	$ —	$ 162	$ —	$ 307

Item 2. *Management’s Discussion and Analysis of Financial Condition and Results of Operations.*

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included under Item 1 and our Consolidated Financial Statements and notes thereto and related Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013.

In an effort to keep our stockholders and the public informed about our business, we may make “forward-looking statements.” Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements are often identified by the words, “will,” “may,” “should,” “continue,” “anticipate,” “believe,” “expect,” “plan,” “forecast,” “project,” “estimate,” “intend,” and words of a similar nature and generally include statements containing:

- projections about accounting and finances;
- plans and objectives for the future;
- projections or estimates about assumptions relating to our performance; or
- our opinions, views or beliefs about the effects of current or future events, circumstances or performance.

You should view these statements with caution. These statements are not guarantees of future performance, circumstances or events. They are based on the facts and circumstances known to us as of the date the statements are made. All aspects of our business are subject to uncertainties, risks and other influences, many of which we do not control. Any of these factors, either alone or taken together, could have a material adverse effect on us and could change whether any forward-looking statement ultimately turns out to be true. Additionally, we assume no obligation to update any forward-looking statement as a result of future events, circumstances or developments.

Some of the risks that we believe could affect our business and financial statements for 2014 and beyond and that could cause actual results to be materially different from those that may be set forth in forward-looking statements made by the Company include the following:

- competition may negatively affect our profitability or cash flows, our pricing strategy may have negative effects on volumes, and inability to execute our pricing strategy in order to retain and attract customers may negatively affect our average yield on collection and disposal business;
- we may fail in implementing our cost saving, optimization and growth initiatives and overall business strategy, which could adversely impact our financial performance and growth, and implementation of our initiatives and strategy may have associated negative consequences, such as fragmentation of efforts, increased indebtedness, asset impairments, business disruption, employee distraction, and regulatory issues;
- compliance with existing or future regulations may impact our business by, among other things, restricting our operations, increasing costs of operations or requiring additional capital expenditures;
- possible changes in our estimates of costs for site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments may increase our expenses;
- certain materials processed by our recycling operations are subject to significant commodity price fluctuations, as are methane gas, electricity and other energy-related products marketed and sold by our landfill gas recovery, waste-to-energy and independent power production plant operations; fluctuations in commodity prices may have negative effects on our operating results;
- increasing customer preference for alternatives to traditional disposal, government mandates requiring recycling and prohibiting disposal of certain types of waste, and overall reduction of waste generated could continue to have a negative effect on volumes of waste going to landfills and waste-to-energy facilities;
- developments in technology could trigger a fundamental change in the waste management industry, as waste streams are increasingly viewed as a resource, which may adversely impact volumes at our landfills and waste-to-energy facilities and our profitability;

- our existing and proposed service offerings to customers may require that we develop or license, and protect, new technologies; and our inability to obtain or protect new technologies could impact our services to customers and development of new revenue sources;
- we are investing in emerging technologies to provide disposal alternatives, which may divert capital investment away from our traditional business operations; such emerging technologies may not perform as intended or may experience other difficulties or delays that prevent us from realizing a return on our investment;
- adverse publicity (whether or not justified) relating to activities by our operations, employees or agents could tarnish our reputation and reduce the value of our brand;
- there is a risk of incurring significant environmental liabilities in the use, treatment, storage, transfer and disposal of waste materials; any substantial liability for environmental damage could have a material adverse effect on our financial condition and cash flows;
- weak economic conditions may negatively affect the volumes of waste generated;
- some of our customers, including governmental entities, have suffered financial difficulties that could affect our business and operating results, due to their credit risk and the impact of the municipal debt market on remarketing of our tax-exempt bonds;
- if we are unable to obtain and maintain permits needed to open, operate, and/or expand our facilities, our results of operations will be negatively impacted;
- diesel fuel price increases or diesel fuel supply shortages may increase our expenses and restrict our ability to operate;
- we are increasingly dependent on the availability of compressed natural gas (“CNG”) and CNG fueling infrastructure and vulnerable to CNG prices; difficulty obtaining CNG and increases in CNG prices could increase our operating costs;
- problems with the operation of current information technology or the development and deployment of new information systems could decrease our efficiencies and increase our costs;
- a cybersecurity incident could negatively impact our business and our relationships with customers;
- efforts by labor unions to organize our employees may increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to labor disruptions, including strikes and lock-outs, which could adversely affect our results of operations and cash flows;
- we could face significant liability for withdrawal from multiemployer pension plans;
- we are subject to operational and safety risks, including the risk of personal injury to employees and others;
- increased costs for financial assurance or the inadequacy of our insurance coverage could negatively impact our liquidity and increase our liabilities;
- possible charges as a result of shut-down operations, uncompleted development or expansion projects or other events may negatively affect earnings;
- we may reduce or suspend capital expenditures, acquisition activity, dividend declarations or share repurchases if we suffer a significant reduction in cash flows;
- we may be unable to incur future indebtedness to support our growth and development plans or to refinance our debt obligations, including near-term maturities, on terms consistent with current borrowings, and higher interest rates and market conditions may increase our expense;
- climate change legislation, including possible limits on carbon emissions, may negatively impact our results of operations by increasing expenses;
- changes in oil and gas prices and drilling activity, and changes in applicable regulations, could adversely affect our Energy Service business;

- weather conditions and one-time special projects cause our results to fluctuate, and harsh weather or natural disasters may cause us to temporarily suspend operations; our stock price may be negatively impacted by interim variations in our results;
- we could be subject to significant fines and penalties, and our reputation could be adversely affected, if our business, or third parties with whom we have relationships, were to fail to comply with United States or foreign laws or regulations;
- we could fail to achieve the financial results anticipated from the construction of new international waste-to-energy facilities;
- negative outcomes of litigation or threatened litigation or governmental proceedings may increase our costs, limit our ability to conduct or expand our operations, or limit our ability to execute our business plans and strategies; and
- the adoption of new accounting standards or interpretations may cause fluctuations in reported quarterly results of operations or adversely impact our reported results of operations.

General

Our principal executive offices are located at 1001 Fannin Street, Suite 4000, Houston, Texas 77002. Our telephone number at that address is (713) 512-6200. Our website address is www.wm.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K are all available, free of charge, on our website as soon as practicable after we file the reports with the SEC. Our stock is traded on the New York Stock Exchange under the symbol "WM."

We are North America's leading provider of comprehensive waste management environmental services. We partner with our residential, commercial, industrial and municipal customers and the communities we serve to manage and reduce waste at each stage from collection to disposal, while recovering valuable resources and creating clean, renewable energy. Our "Solid Waste" business is operated and managed locally by our subsidiaries that focus on distinct geographic areas and provides collection, transfer, recycling and resource recovery, and disposal services. Through our subsidiaries, we are also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities in the United States.

Overview

Every day, we are helping industries, communities and individuals reduce, reuse and remove waste better through sound sustainability strategies. We have a precise day-to-day focus on collecting and handling our customers' waste efficiently and responsibly. Meanwhile, we are also developing and implementing new ways to handle and extract value from waste. Our employees are committed to delivering environmental performance — our mission to maximize resource value, while minimizing environmental impact, so that both our economy and our environment can thrive. Drawing on our resources and experience, we actively pursue projects and initiatives that benefit the waste industry, our customers and the communities we serve and the environment.

We are also committed to providing long-term value to our stockholders by successfully executing on our strategic goals of optimizing our business, knowing and servicing the customer better than anyone else, and extracting more value from the materials we handle. In pursuit of these long-term goals, we have sharpened our focus on the following key priorities:

- Pursue improved profitability through customer-focused segmentation, pricing discipline and strategic acquisitions;
- Continually emphasize cost control and investment in technology and systems that enhance the efficiency of our operations; and
- Invest in emerging technologies that offer alternatives to traditional disposal and generate additional value from the waste, recycling and other streams we manage.

We believe that execution of our strategy through these key priorities will drive continued growth and leadership in a dynamic industry, as customers increasingly seek non-traditional solutions.

Highlights of our financial results for the current quarter include:

- Revenues of $3,396 million compared with $3,336 million in the first quarter of 2013, an increase of $60 million, or 1.8%. This increase in revenues is primarily attributable to (i) positive revenue growth from yield on our collection and disposal operations of $71 million, or 2.6%, and (ii) acquisitions, particularly the acquisition of RCI in July 2013 which increased revenues by $40 million. These increases were partially offset by lower volumes, which decreased our revenues by $59 million;

- Operating expenses of $2,232 million, or 65.7% of revenues, compared with $2,209 million, or 66.2% of revenues, in the first quarter of 2013. This increase of $23 million is principally due to operating costs associated with the acquired RCI operations;
- Selling, general, and administrative expenses decreased by $15 million, or 3.8%, from $390 million in the first quarter of 2013 to $375 million in the first quarter of 2014, driven primarily by our cost control initiatives;
- Income from operations of $469 million, or 13.8% of revenues, compared with $402 million, or 12.1% of revenues, in the first quarter of 2013; and
- Net income attributable to Waste Management, Inc. of $228 million, or $0.49 per diluted share, as compared with $168 million, or $0.36 per diluted share in the first quarter of 2013.

Our first quarter of 2013 results were affected by the following:

- The recognition of pre-tax impairment charges aggregating $15 million attributable to investments in waste diversion technologies and goodwill related to certain of our operations. These items had a negative impact of $0.03 on our diluted earnings per share; and
- The recognition of $8 million of pre-tax restructuring charges related to our acquisition of Greenstar and our July 2012 restructuring. These items had a negative impact of $0.01 on our diluted earnings per share.

Free Cash Flow

As is our practice, we are presenting free cash flow, which is a non-GAAP measure of liquidity, in our disclosures because we use this measure in the evaluation and management of our business. We define free cash flow as net cash provided by operating activities, less capital expenditures, plus proceeds from divestitures of businesses and other assets (net of cash divested). We believe it is indicative of our ability to pay our quarterly dividends, repurchase common stock, fund acquisitions and other investments and, in the absence of refinancings, to repay our debt obligations. Free cash flow is not intended to replace “Net cash provided by operating activities,” which is the most comparable GAAP measure. However, we believe free cash flow gives investors useful insight into how we view our liquidity. Nevertheless, the use of free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that we have committed to, such as declared dividend payments and debt service requirements.

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

	Three Months Ended March 31,	
	2014	2013
Net cash provided by operating activities	$ 584	$ 577
Capital expenditures	(266)	(266)
Proceeds from divestitures of businesses and other assets (net of cash divested)	166	37
Free cash flow	$ 484	$ 348

When comparing our cash flows from operating activities for the reported periods, the increase of $7 million was primarily related to the (i) impact of higher cash earnings, (ii) unfavorable impact of approximately $73 million, as the annual incentive plan payments made in the first quarter of 2014 were significantly higher than the payments made in the first quarter of 2013, (iii) the payment of $36 million to settle the liabilities associated with our forward starting swaps that matured in March 2014 and (iv) favorable impacts of working capital changes.

The increase in proceeds from divestitures of businesses and other assets (net of cash divested) is largely driven by the sale of our investment in Shanghai Environment Group (“SEG”), which was part of our Wheelabrator business, for $155 million.

Acquisitions

Greenstar, LLC — On January 31, 2013, we paid $170 million inclusive of certain adjustments, to acquire Greenstar, LLC (“Greenstar”). Pursuant to the sale and purchase agreement, up to an additional $40 million is payable to the sellers during the period from 2014 to 2018, of which $20 million is guaranteed. The remaining $20 million of this consideration is contingent, based on changes in certain recyclable commodity indexes, and had a preliminary estimated fair value at closing of $16 million. Greenstar was an operator of recycling and resource recovery facilities. This acquisition provides the Company’s customers with greater access to recycling solutions, having supplemented our extensive nationwide recycling network with the operations of one of the nation’s largest private recyclers.

RCI Environnement, Inc. — On July 5, 2013, we paid C$509 million, or $481 million, to acquire substantially all of the assets of RCI Environnement, Inc. ("RCI"), the largest waste management company in Quebec, and certain related entities. Total consideration, inclusive of amounts for estimated working capital, was C$515 million, or $487 million. RCI provides collection, transfer, recycling and disposal operations throughout the Greater Montreal area. The acquired RCI operations complement and expand the Company's existing assets and operations in Quebec.

Critical Accounting Estimates and Assumptions

In preparing our financial statements, we make numerous estimates and assumptions that affect the accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with precision from available data or simply cannot be calculated. In some cases, these estimates are difficult to determine and we must exercise significant judgment. In preparing our financial statements, the most difficult, subjective and complex estimates and the assumptions that present the greatest amount of uncertainty relate to our accounting for landfills, environmental remediation liabilities, asset impairments, deferred income taxes and reserves associated with our insured and self-insured claims, as described in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements.

Results of Operations

Operating Revenues

We evaluate, oversee and manage the financial performance of our Solid Waste business subsidiaries through our 17 geographic Areas. Our Wheelabrator business provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. We also provide additional services that are not managed through our Solid Waste or Wheelabrator businesses, including Strategic Business Solutions, Energy and Environmental Services, recycling brokerage services, electronic recycling services, landfill gas-to-energy services, integrated medical waste services, expanded service offerings and solutions. Part of our expansion of services includes offering fluorescent bulb and universal waste mail-back through our LampTracker® program and portable self-storage services. In addition, we have made investments that involve the acquisition and development of interests in oil and gas producing properties. These operations are presented as "Other" in the table below. The following table summarizes revenues during each period (in millions):

	Three Months Ended March 31,	
	2014	2013
Solid Waste:		
Tier 1	$ 850	$ 843
Tier 2	1,502	1,516
Tier 3	847	826
Solid Waste	3,199	3,185
Wheelabrator	230	205
Other	547	534
Intercompany	(580)	(588)
Total	$3,396	$3,336

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

	Three Months Ended March 31,	
	2014	2013
Commercial	$ 846	$ 840
Residential	635	645
Industrial	516	512
Other	77	58
Total collection	2,074	2,055
Landfill	632	628
Transfer	306	300
Wheelabrator	230	205
Recycling	347	358
Other	387	378
Intercompany	(580)	(588)
Total	$3,396	$3,336

The following table provides details associated with the period-to-period change in revenues (dollars in millions) along with an explanation of the significant components of the current period changes:

	Period-to-Period Change for the Three Months Ended March 31, 2014 vs. 2013	
	Amount	As a % of Total Company(a)
Average yield(b)	$ 86	2.6%
Volume	(59)	(1.8)
Internal revenue growth	27	0.8
Acquisitions	54	1.6
Divestitures	(4)	(0.1)
Foreign currency translation	(17)	(0.5)
Total	$ 60	1.8%

(a) Calculated by dividing the amount of current period increase or decrease by the prior period's total Company revenue adjusted to exclude the impacts of divestitures for the current period ($3,332 million).

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

	Period-to-Period Change for the Three Months Ended March 31, 2014 vs. 2013	
	Amount	As a % of Related Business(i)
Average yield:		
Collection, landfill and transfer	$ 71	2.7%
Waste-to-energy disposal(ii)	—	—
Collection and disposal(ii)	71	2.6
Recycling commodities	(14)	(4.0)
Electricity(ii)	27	37.5
Fuel surcharges and mandated fees	2	1.2
Total	$ 86	2.6%

(i) Calculated by dividing the increase or decrease for the current period by the prior period's related business revenue, adjusted to exclude the impacts of divestitures for the current period. The table below summarizes the related business revenues for the three months ended March 31, 2013 adjusted to exclude the impacts of divestitures (in millions):

	Denominator Three Months Ended March 31
Related business revenues:	
Collection, landfill and transfer	$ 2,648
Waste-to-energy disposal	98
Collection and disposal	2,746
Recycling commodities	352
Electricity	72
Fuel surcharges and mandated fees	162
Total Company	$ 3,332

(ii) Average revenue growth from yield for "Collection and disposal" excludes all electricity-related revenues generated by our Wheelabrator business which is reported as "Electricity" revenues.

Our revenues increased $60 million, or 1.8%, for the three months ended March 31, 2014 as compared with the three months ended March 31, 2013. The year-over-year change in revenues has been driven by (i) increased revenue growth from our collection and disposal average yield; (ii) acquisitions, particularly the acquisition of RCI in July 2013, which increased revenues by $40 million for the three months ended March 31, 2014; (iii) higher electricity prices at our merchant waste-to-energy facilities and (iv) higher revenues provided by our fuel surcharge program. Offsetting these revenue increases were revenue declines due to lower volumes, lower recyclable commodity prices, and foreign currency translation, which affects revenues from our Canadian operations.

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

Average yield

Collection and disposal average yield — This measure reflects the effect on our revenue from the pricing activities of our collection, transfer, landfill and waste-to-energy disposal operations, exclusive of volume changes. Revenue growth from collection and disposal average yield includes not only base rate changes and environmental and service fee increases, but also (i) certain average price changes related to the overall mix of services, which are due to both the types of services provided and the geographic locations where our services are provided; (ii) changes in average price from new and lost business and (iii) price decreases to retain customers.

Revenue growth from collection and disposal average yield was $71 million, or 2.6%, for the three months ended March 31, 2014 as compared with the prior year period, $68 million of which was from our three principal collection lines of business as follows (dollars in millions):

	$	%
Commercial	$35	4.6%
Industrial	$26	5.7%
Residential	$ 7	1.1%

Our year-over-year yield growth was driven largely by our pricing strategy implemented in 2013 that combined focused effort on price increases with lower rollbacks. Other drivers affecting the current period average yield include:

- We instituted a fee in April 2013 to help us recover a portion of the significant regulatory costs and fees, such as host fees and disposal taxes, which have not been recouped by our pricing programs. This fee contributed approximately $16 million to our revenue growth for the three months ended March 31, 2014, principally in our collection business, with the most significant impact in our commercial collection line of business.
- Revenue growth from yield in our industrial line of business was aided by our continued expansion of the Energy Service business, which typically has higher average rates due to extended transportation distances, special waste handling costs and higher disposal costs.
- In our residential line of business, we are focused on bidding on contracts that improve our yield performance and increase our overall returns. Our effort to increase yield in our residential line of business is a challenge due principally to a very competitive environment. A high percentage of our residential business is in municipal franchise markets, and many municipalities are facing significant budget challenges, which results in very competitive bid processes as we rebid contracts and try to win new contracts.
- Yield growth from our landfill and transfer station operations also increased for the three months ended March 31, 2014. Improving yield in our landfill business has proved to be a challenge, due, in part, to excess disposal capacity that exists in many of the markets in which we own or operate landfills.

Electricity — Revenue increased $27 million for the three months ended March 31, 2014 as compared with same prior year period. This revenue increase is driven by higher electricity prices at our merchant waste-to-energy facilities due to the exceptionally cold winter conditions that drove a higher demand for electricity in the first three months in 2014 as compared with same prior year period.

Recycling commodities — Year-over-year commodity price declines of approximately 2% resulted in decreased revenues of $14 million for the three months ended March 31, 2014 as compared with same prior year period.

Fuel surcharges and mandated fees — These revenues, which are predominantly generated by our fuel surcharge program, increased by $2 million for the three months ended March 31, 2014. These revenues fluctuate in response to changes in the national average prices for diesel fuel on which our surcharge is based. Although we experienced lower year-over-year average fuel prices in the current quarter as compared with the prior year period, our fuel surcharge revenues increased as a result of a revision of the surcharge calculation implemented to better capture price increases intended to be recovered by the surcharge. The mandated fees included in this line item are primarily related to pass-through fees and taxes assessed by various state, county and municipal government agencies at our landfills and transfer stations.

Volume — Changes in our volume caused our revenue to decrease $59 million, or 1.8%, for the three months ended March 31, 2014 as compared with the comparable prior year period, driven by declines in our collection business. Our volume fluctuations are generally attributable to economic conditions, pricing changes, competition and diversion of waste by customers. Specifically, our revenue growth due to volume has been negatively affected by our pricing strategy implemented in 2013. We are experiencing volume decline due to the loss of low margin customers that we are not willing to keep at current low rates. Additionally, we are experiencing losses of certain municipal contracts that are up for bid. As a result of both the very competitive environment and our focus on reasonable returns, we are facing challenges to keep existing contracts and to win new contracts.

Other drivers affecting the current period volumes include:

- We experienced revenue declines of approximately $23 million associated with the severe winter weather conditions in the current period.
- We experienced revenue declines associated with the loss of certain strategic accounts including certain large retail mall customers in 2013.
- We experienced higher landfill volumes in the current period primarily driven by our higher special waste volumes and our municipal solid waste business.
- We experienced revenue increases due to higher volumes in our ancillary services, primarily driven by increases in our WM Renewable Energy Program and our Energy and Environmental Services.

Our pricing actions and our focus on controlling variable costs have consistently provided margin improvements in our collection line of business, although in the current quarter, our year-over-year margin was essentially flat. While margins in our commercial and industrial lines of business continued to expand, we did see margin deterioration in our residential line of business. The severe weather conditions we experienced in the current quarter contributed to the flattening of our year-over-year collection margin for the three months ended March 31, 2014.

Acquisitions — Revenues increased $54 million for the three months ended March 31, 2014 as compared with the prior year period due to acquisitions. This increase was principally associated with the RCI operations acquired in July 2013, which is reported primarily in our collection line of business, and to a lesser extent, the Greenstar operations acquired in January 2013, which is reported in our recycling line of business.

Operating Expenses

Our operating expenses increased by $23 million, or 1.0%, for the three months ended March 31, 2014 as compared with the three months ended March 31, 2013. Our operating expenses as a percentage of revenues decreased to 65.7% in the current period from 66.2% in the prior year period.

The following table summarizes the major components of our operating expenses, including the impact of foreign currency translation, for the three-month periods ended March 31 (dollars in millions):

	2014	2013	Period-to-Period Change	
Labor and related benefits	$ 606	$ 607	$ (1)	(0.2)%
Transfer and disposal costs	217	225	(8)	(3.6)
Maintenance and repairs	303	302	1	0.3
Subcontractor costs	300	279	21	7.5
Cost of goods sold	237	238	(1)	(0.4)
Fuel	150	148	2	1.4
Disposal and franchise fees and taxes	154	149	5	3.4
Landfill operating costs	60	58	2	3.4
Risk management	56	62	(6)	(9.7)
Other	149	141	8	5.7
	$2,232	$2,209	$23	1.0%

Significant changes in our operating expenses are discussed below.

Labor and related benefits — Significant items affecting the comparability of expenses for the periods presented include:

- Headcount, exclusive of acquisitions, decreased in the current period compared to the prior year period;
- Higher wages due to merit increases effective in the second quarter of 2013;
- Increased group insurance costs; and
- Decreased contract labor principally attributed to the collection line of business.

Subcontractor costs — The current quarter increase in subcontractor costs was primarily driven by the acquired RCI operations and remediation services within Energy and Environmental Services.

Cost of goods sold — Significant items affecting the comparability of expenses for the periods presented include:

- Increased efforts to reduce controllable recycling rebates paid to customers;
- Better alignment of rebate structures to commodity prices for new recycling contracts;
- Ongoing recycling business improvement efforts around inbound quality control;
- Lower commodity prices;
- Lower costs in our Wheelabrator business;
- Increases related to the acquired RCI operations; and
- Increased business in Organic Growth and remediation services.

Fuel — The increase in fuel expense when compared to the prior year period was due to a retroactive CNG fuel excise tax credit recognized in 2013 coupled with the expiration of the credit for 2014. This increase was offset in large part by (i) lower diesel fuel prices; (ii) lower fuel purchases due to reduced collection volumes and (iii) lower costs resulting from the conversion of our fleet to CNG vehicles.

Disposal and franchise fees and taxes — The increase in costs when compared to the prior period was due to (i) higher municipal franchise fees relating to the collection line of business and (ii) higher disposal fees driven by certain Canadian volumes including the RCI operations.

Landfill operating costs — The increase in the current period was driven by higher site maintenance costs.

Risk management — The decrease in risk management costs when compared to the prior period was due to lower (i) uninsured losses; (ii) performance bond costs and (iii) workers compensation premiums and claims.

Other — The increase is primarily due to property taxes.

Selling, General and Administrative

Our selling, general and administrative expenses decreased by $15 million, or 3.8%, when comparing the three months ended March 31, 2014 with the same period of 2013. Our selling, general and administrative expenses as a percentage of revenues decreased to 11.0% in the current period from 11.7% in the prior year period.

The following table summarizes the major components of our selling, general and administrative expenses for the three-month periods ended March 31 (dollars in millions):

	2014	2013	Period-to-Period Change	
Labor and related benefits	$243	$238	$ 5	2.1%
Professional fees	26	32	(6)	(18.8)
Provision for bad debts	13	20	(7)	(35.0)
Other	93	100	(7)	(7.0)
	$375	$390	$(15)	(3.8)%

Labor and related benefits — Factors affecting the year-over-year changes in our labor and related benefits costs include:

- Higher salaries and wages due primarily to merit increases effective in the second quarter of 2013; and
- Higher employee benefit and group insurance costs in 2014 partially offset by
- Lower incentive compensation expenses in 2014.

Professional fees — In 2014, our professional fees decreased primarily due to higher legal fees in 2013 and our concerted effort to reduce consulting fees.

Provision for bad debts — Our provision for bad debts was higher in 2013, primarily as a result of collection issues we experienced in our Puerto Rico operations.

Other — Our continued focus on controlling costs resulted in year-over-year declines in (i) advertising, (ii) seminars and education and (iii) travel and entertainment costs.

Depreciation and Amortization

The following table summarizes the components of our depreciation and amortization expense for the three-month periods ended March 31 (dollars in millions):

	2014	2013	Period-to-Period Change	
Depreciation of tangible property and equipment	$213	$209	$ 4	1.9%
Amortization of landfill airspace	84	96	(12)	(12.5)
Amortization of intangible assets	20	18	2	11.1
	$317	$323	$ (6)	(1.9)%

Income from Operations

The following table summarizes income from operations for the three-month periods ended March 31 (dollars in millions):

	2014	2013	Period-to-Period Change	
Solid Waste:				
Tier 1	$ 218	$ 207	11	5.3%
Tier 2	284	298	(14)	(4.7)
Tier 3	124	109	15	13.8
Solid Waste	626	614	12	2.0
Wheelabrator	34	9	25	*
Other	(18)	(41)	23	(56.1)
Corporate and Other	(173)	(180)	7	(3.9)
Total	$ 469	$ 402	$ 67	16.7%

* Percentage change does not provide a meaningful comparison.

Solid Waste — The most significant items affecting the results of operations of our Solid Waste business during the three months ended March 31, 2014 as compared with the prior year period are summarized below:

- Our base business, excluding recycling, benefited from internal revenue growth, as well as from increased fuel recovery;
- Our recycling business contributed unfavorably compared to the prior year period principally due to: (i) lower market prices for recyclable commodities and (ii) lower volumes. These unfavorable variances were partially offset by reduced costs driven in part by: (i) increased efforts to reduce controllable recycling rebates paid to customers; (ii) better alignment of rebate structures to commodity prices for new recycling contracts and (iii) ongoing business improvement efforts around inbound quality control;
- Adverse weather in the current period resulted in lower income from operations primarily in Tier 2;
- The accretive benefits of the RCI operations, which is included in Tier 3;
- A retroactive CNG excise fuel tax credit in 2013 coupled with the expiration of the credit for 2014 increased year-over-year fuel expense; and
- Higher bad debt expense in 2013 as a result of collection issues we experienced in our Puerto Rico operations, which is included in Tier 3.

Significant items affecting the comparability of the remaining components of our results of operations for the three months ended March 31, 2014 are summarized below:

Wheelabrator — The increase in income from operations of our Wheelabrator business was driven almost entirely by higher electricity prices at our merchant waste-to-energy facilities due to the exceptionally cold winter conditions in the first three months in 2014 as compared with same prior year period. Other items contributing to the variability included (i) increased metal and steam sales; (ii) higher depreciation cost related to a lease renewal and (iii) increased property taxes.

Other — Significant items affecting the comparability of results for the periods presented include:

- Improved results in our Strategic Business Solutions as a result of our system and process enhancements; and
- Improved results in our renewable energy business principally driven by favorable weather related prices.

Corporate and Other — The most significant item affecting the comparability of expenses for the periods presented was increased group insurance costs.

Equity in Net Losses of Unconsolidated Entities

We recognized "Equity in net losses of unconsolidated entities" of $9 million and $8 million for the three months ended March 31, 2014 and 2013, respectively. These losses are primarily related to our noncontrolling interests in two limited liability companies established to invest in and manage low-income housing properties and a refined coal facility, as well as (i) noncontrolling investments made to support our strategic initiatives and (ii) unconsolidated trusts for final capping, closure, post-closure or environmental obligations. The tax impacts realized as a result of our investments in low-income housing properties and the refined coal facility are discussed below in *Provision for Income Taxes.* Refer to Notes 5 and 13 to the Condensed Consolidated Financial Statements for more information related to these investments.

Other, net

We recognized other, net expense of $3 million and $11 million for the three months ended March 31, 2014 and 2013, respectively. In the first quarter of 2014, we sold our investment in SEG, which was part of our Wheelabrator business. We received cash proceeds from the sale of $155 million. The losses recognized related to the sale were not material. During the first quarter of 2013, we recognized impairment charges of $11 million relating to other-than-temporary declines in the value of investments in waste diversion technology companies accounted for under the cost method. We wrote down the carrying value of our investments to their fair value based on third-party investors' recent transactions in these securities.

Provision for Income Taxes

We recorded a provision for income taxes of $99 million during the first quarter of 2014, representing an effective income tax rate of 29.6%, compared with a provision for income taxes of $86 million during the first quarter of 2013, representing an effective income tax rate of 32.8%.

Our investments in low-income housing properties and the refined coal facility reduced our provision for income taxes for the three-month periods ended March 31, 2014 and 2013 by $11 million and $10 million, respectively. Refer to Note 5 to the Condensed Consolidated Financial Statements for more information related to these investments. Our 2014 provision for income taxes further benefited from a revaluation of deferred taxes and utilization of state net operating losses due to a state law change.

Noncontrolling Interests

Net income attributable to noncontrolling interests was $9 million and $8 million for the three months ended March 31, 2014 and 2013, respectively. These amounts are principally related to third parties' equity interests in two limited liability companies that own three waste-to-energy facilities operated by our Wheelabrator business. Refer to Note 13 to the Condensed Consolidated Financial Statements for information related to the consolidation of these variable interest entities.

Liquidity and Capital Resources

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

The following is a summary of our cash and cash equivalents, restricted trust and escrow accounts and debt balances as of March 31, 2014 and December 31, 2013 (dollars in millions):

	March 31, 2014	December 31, 2013
Cash and cash equivalents	$ 339	$ 58
Restricted trust and escrow accounts:		
Final capping, closure, post-closure and environmental remediation funds	$ 125	$ 125
Tax-exempt bond funds	15	27
Other	11	15
Total restricted trust and escrow accounts	$ 151	$ 167
Debt:		
Current portion	$ 1,216	$ 726
Long-term portion	8,978	9,500
Total debt	$ 10,194	$ 10,226
Increase in carrying value of debt due to hedge accounting for interest rate swaps	$ 54	$ 59

As of March 31, 2014, we had (i) $498 million of debt maturing within the next 12 months, including $350 million of 6.375% senior notes that mature in March 2015 and $82 million of tax-exempt bonds; (ii) $790 million of borrowings and advances outstanding under the U.S. revolving credit facility ("$2.25 billion revolving credit facility") and (iii) $874 million of tax-exempt borrowings subject to repricing within the next 12 months. Of the $790 million of borrowings outstanding under our $2.25 billion revolving credit facility, we have classified $370 million of these borrowings as long-term because we intend and have the ability to refinance or maintain these borrowings on a long-term basis. Based on our intent and ability to refinance other portions of our current obligations on a long-term basis as of March 31, 2014, including through use of forecasted available capacity under our $2.25 billion revolving credit facility, we have classified an additional $576 million of debt as long-term. The remaining $1.2 billion, including $420 million of outstanding borrowings under our $2.25 billion revolving credit facility, is classified as current obligations.

Summary of Cash Flow Activity

The following is a summary of our cash flows for the three-month periods ended March 31 (in millions):

	Three Months Ended March 31,	
	2014	2013
Net cash provided by operating activities	$ 584	$ 577
Net cash used in investing activities	$(122)	$(421)
Net cash used in financing activities	$(179)	$ (41)

Net Cash Provided by Operating Activities — The most significant items affecting the comparison of our operating cash flows in the first quarter of 2014 as compared with the first quarter of 2013 are summarized below:

- *Increase in earnings* — Our income from operations, excluding depreciation and amortization, increased by $61 million, on a year-over-year basis.
- *Increase in bonus payments* — Payments for our annual incentive plans are typically paid in the first quarter of the year for the prior year. Our cash flow from operations was unfavorably impacted by approximately $73 million on a year-over-year basis, as the annual incentive plan payments made in the first quarter of 2014 were significantly higher than the payments made in the first quarter of 2013.
- *Forward-starting swaps* — During the first quarter of 2014, the forward-starting interest rate swaps associated with the anticipated issuance of senior notes in 2014 matured, and we paid cash of $36 million to settle the liabilities related to the swaps. This cash payment has been classified as a change in "Accounts payable and accrued liabilities" within "Net cash provided by operating activities" in the Condensed Consolidated Statement of Cash Flows.
- *Changes in assets and liabilities, net of effects from business acquisitions and divestitures* — Our cash flow from operations was favorably impacted by $55 million on a year-over-year basis by changes in our working capital accounts. Although our working capital changes may vary from year to year, they are typically driven by changes in accounts receivable, which are affected by both revenue changes and timing of payments received, and accounts payable changes, which are affected by both cost changes and timing of payments.

Net Cash Used in Investing Activities — The most significant items included in our investing cash flows for the three-month periods ended March 31, 2014 and 2013 are summarized below:

- *Capital expenditures* — We used $266 million during each of the first quarters of 2014 and 2013 for capital expenditures. Approximately $167 million of our capital expenditures accrued in the fourth quarter of 2013 were paid in cash in the first quarter of 2014 compared with approximately $171 million of our capital expenditures accrued in the fourth quarter of 2012 that were paid in cash in the first quarter of 2013.
- *Acquisitions* — Our spending on acquisitions was $11 million in the first quarter of 2014 compared with $180 million in the first quarter of 2013. In 2013, our acquisitions consisted primarily of the recycling operations of Greenstar, for which we paid $170 million.
- *Divestitures* — In the first quarter of 2014, we sold our investment in SEG and received cash proceeds of $155 million.

Net Cash Used in Financing Activities — During the first quarter of 2014, net cash used in financing activities was $179 million, compared with $41 million during the comparable prior year period. The most significant items affecting the comparison of our financing cash flows for the three-month periods ended March 31, 2014 and 2013 are summarized below:

- *Debt borrowings (repayments)* — The following summarizes our cash borrowings and debt repayments during each period (in millions):

	Three Months Ended March 31,	
	2014	2013
Borrowings:		
U.S. revolving credit facility	$ 870	$ 225
Canadian credit facility and term loan	19	—
Capital leases and other debt	24	19
	$ 913	$ 244
Repayments:		
U.S. revolving credit facility	$(500)	$(125)
Canadian credit facility and term loan	(44)	—
Senior notes	(350)	—
Capital leases and other debt	(34)	(26)
	$(928)	$(151)
Net borrowings (repayments)	$ (15)	$ 93

Refer to Note 3 to the Condensed Consolidated Financial Statements for additional information related to our debt borrowings and repayments.

- *Dividend payments* — We paid $174 million in cash dividends in the first quarter of 2014 compared with $170 million in the first quarter of 2013. The increase in dividend payments is primarily due to our quarterly per share dividend declared increasing from $0.365 in 2013 to $0.375 in 2014.

- *Share repurchases* — In February 2014, the Board of Directors authorized up to $600 million in future share repurchases; however, no share repurchases were made in the first quarter of 2014.

Liquidity Impacts of Income Tax Items

Bonus Depreciation — The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 and included an extension for one year of the bonus depreciation allowance. As a result, 50% of qualifying capital expenditures on property placed in service before January 1, 2014 were depreciated immediately. The acceleration of deductions on 2013 qualifying capital expenditures resulting from the bonus depreciation provisions had no impact on our effective income tax rate for 2013 although it reduced our cash taxes.

The acceleration of depreciation deductions related to qualifying capital expenditures in 2013 decreased our 2013 cash taxes by approximately $70 million. However, taking accelerated depreciation deductions results in increased cash taxes in subsequent periods when the depreciation deductions related to the capital expenditures would have otherwise been taken. Overall, the effect of all applicable years' bonus depreciation programs results in increased cash taxes of $40 million in 2013 and $95 million in 2014.

Uncertain Tax Positions — We have liabilities associated with unrecognized tax benefits and related interest. These liabilities are included as a component of long-term "Other liabilities" in our Condensed Consolidated Balance Sheets because the Company does not anticipate that settlement of the liabilities will require payment of cash within the next 12 months. We are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. We anticipate that approximately $9 million of liabilities for unrecognized tax benefits, including accrued interest, and $3 million of related deferred tax assets may be reversed within the next 12 months. The anticipated reversals are primarily related to state tax items, none of which are material, and are expected to result from the expiration of the applicable statute of limitations period.

Off-Balance Sheet Arrangements

We have financial interests in unconsolidated variable interest entities as discussed in Note 13 to the Condensed Consolidated Financial Statements. Additionally, we are party to guarantee arrangements with unconsolidated entities as discussed in the *Guarantees* section of Note 7 to the Condensed Consolidated Financial Statements. These arrangements have not materially affected our financial position, results of operations or liquidity during the three months ended March 31, 2014, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

Seasonal Trends

Our operating revenues tend to be somewhat higher in summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. The operating results of our first quarter also often reflect higher repair and maintenance expenses because we rely on the slower winter months, when waste flows are generally lower, to perform scheduled maintenance at our waste-to-energy facilities.

Service disruptions caused by severe storms, extended periods of inclement weather or climate extremes can significantly affect the operating results of the affected Areas. On the other hand, certain destructive weather conditions that tend to occur during the second half of the year, such as the hurricanes that most often impact our operations in the Southern and Eastern U.S., can actually increase our revenues in the areas affected. While weather-related and other "one-time" occurrences can boost revenues through additional work for a limited time span, as a result of significant start-up costs and other factors, such revenue sometimes generates earnings at comparatively lower margins.

Inflation

While inflationary increases in costs have affected our income from operations margins in recent years, we believe that inflation generally has not had, and in the near future is not expected to have, any material adverse effect on our results of operations. However, a portion of our collection revenues are generated under long-term agreements with price adjustments based on various indices intended to measure inflation. Additionally, management's estimates associated with inflation have had, and will continue to have, an impact on our accounting for landfill and environmental remediation liabilities.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

Information about market risks as of March 31, 2014, does not differ materially from that discussed under Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. *Controls and Procedures.*

Effectiveness of Controls and Procedures

Our management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to management (including the principal executive and financial officers) as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of March 31, 2014 (the end of the period covered by this Quarterly Report on Form 10-Q).

Changes in Internal Control over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended March 31, 2014. We determined that there were no changes in our internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

Item 1. *Legal Proceedings.*

Information regarding our legal proceedings can be found under the "Environmental Matters" and "Litigation" sections of Note 7, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements.

Item 1A. *Risk Factors.*

There have been no material changes from risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 in response to Item 1A to Part I of Form 10-K.

Item 4. *Mine Safety Disclosures.*

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

Item 6. *Exhibits.*

Exhibit No.		Description
10.1	—	Form of 2014 Senior Leadership Team Award Agreement [incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed March 12, 2014].
10.2	—	Waste Management, Inc. 409A Deferral Savings Plan as Amended and Restated effective January 1, 2014.
31.1	—	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, of David P. Steiner, President and Chief Executive Officer.
31.2	—	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, of James C. Fish, Jr., Executive Vice President and Chief Financial Officer.
32.1	—	Certification Pursuant to 18 U.S.C. §1350 of David P. Steiner, President and Chief Executive Officer.
32.2	—	Certification Pursuant to 18 U.S.C. §1350 of James C. Fish, Jr., Executive Vice President and Chief Financial Officer.
95	—	Mine Safety Disclosures.
101.INS	—	XBRL Instance Document.
101.SCH	—	XBRL Taxonomy Extension Schema Document.
101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	—	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WASTE MANAGEMENT, INC.

By: /s/ JAMES C. FISH, JR.

James C. Fish, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

WASTE MANAGEMENT, INC.

By: /s/ DON P. CARPENTER

Don P. Carpenter
Vice President and
Chief Accounting Officer
(Principal Accounting Officer)

Date: April 24, 2014

EXHIBIT 10.2

Waste Management, Inc.

409A Deferral Savings Plan

As Amended and Restated Effective January 1, 2014

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Waste Management, Inc.
409A Deferral Savings Plan

As Amended and Restated Effective January 1, 2014

ARTICLE 1
INTRODUCTION

1.1 Purpose and History of Plan. Waste Management, Inc. (the "Company") established the Waste Management, Inc. 409A Deferral Savings Plan (the "Plan") to provide certain eligible employees a means to defer a portion of their base salary and/or their bonus that is earned and vested on or after January 1, 2005 in compliance with Section 409A of the Internal Revenue Code so as to save for retirement. The Plan was primarily designed to give these eligible employees an additional avenue to defer amounts that are in addition to and otherwise limited from deferral under the Waste Management Retirement Savings Plan due to certain limitations established under the Internal Revenue Code for such plan. The Plan was originally effective as of January 1, 2005 and was amended and restated effective as of January 1, 2008, to add the rules regarding the deferral of payment of Restricted Stock Unit Grants and Performance Share Unit Grants under the Waste Management, Inc. 2004 Stock Incentive Plan, to add eligibility for and the rules regarding the deferral of directors' fees, and to comply with the final regulations issued under Section 409A of the Internal Revenue Code for all deferrals of compensation. The Plan is hereby amended and restated effective January 1, 2014.

1.2 Status of Plan. The Plan is intended to be an unfunded plan maintained by the Company "primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and the Plan shall be interpreted and administered consistent with this intent.

ARTICLE 2
DEFINITIONS

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

2.1 "Account" means an account established for the benefit of a Participant under Section 6.1, which may include one or more sub-accounts.

2.2 "Approved Leave of Absence" means a military, sick or other bona fide leave of absence approved by the Company under its policies which does not exceed six months, or if longer, so long as the Participant retains a right to reemployment with the Company under an applicable statute or by contract. Notwithstanding the foregoing, if the leave is due to a Disability, 29 months is substituted for six months in the preceding sentence.

2.3 "Base Salary" means the annual base salary rate payable by an Employer to an Eligible Employee for services performed during any Plan Year that would be includible in the Eligible Employee's gross income for such year determined before deductions made with respect to the Plan, the Qualified Plan, or any other plan maintained by an Employer permitting pre-tax contributions, such as an Employer-sponsored plan established under Code Section 125. Base Salary does not include income from stock option exercises, Bonuses and Bonus Deferrals under the Plan, or any other type of incentive award.

2.4 "Beneficiary" means the beneficiary or beneficiaries designated by a Participant or otherwise under Section 8.4 to receive an amount, if any, payable from such Participant's Account upon the death of the Participant.

2.5 "Board" means the board of directors of the Company.

2.6 "Bonus" means the annual bonus payable under the Company's annual incentive plan.

2.7 “Bonus Deferral” means the portion of an Eligible Bonus that is deferred by a Participant under Section 4.2 with respect to a Plan Year.

2.8 “Change in Control” means the first to occur of any of the following:

(i) any Person, or Persons acting as a group (within the meaning of Code Section 409A), acquires, directly or indirectly, including by purchase, merger, consolidation or otherwise, ownership of securities of the Company that, together with securities held by such Person or Persons, represents fifty percent (50%) or more of the total voting power or total fair market value of the Company’s then outstanding securities;

(ii) any Person, or Persons acting as a group (within the meaning of Code Section 409A), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons), directly or indirectly, including by purchase, merger, consolidation or otherwise, ownership of securities of the Company that represents thirty percent (30%) or more of the total voting power of the Company’s then outstanding voting securities;

(iii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, at the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least a majority of the directors before the date of such appointment or election or whose appointment, election or nomination for election was previously so approved or recommended; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company and such liquidation is actually commenced or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets (or any transaction having a similar effect), other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale. For purposes hereof, a “sale or other disposition by the Company of all or substantially all of the Company’s assets” will not be deemed to have occurred if the sale involves assets having a total gross fair market value of less than forty percent (40%) of the total gross fair market value of all assets of the Company immediately prior to such sale.

For purposes of this definition, the following terms shall have the following meanings:

(A) “Exchange Act” means the Securities and Exchange Act of 1934, as amended from time to time; and

(B) “Person” shall have the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (1) the Company, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (3) an employee benefit plan of the Company, (4) an underwriter temporarily holding securities pursuant to an offering of such securities or (5) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of Common Stock.

2.9 “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and rulings issued thereunder. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

2.10 “Company” means Waste Management, Inc., a Delaware corporation, or any successor corporation thereto.

2.11 “Compensation Committee” means the Management Development and Compensation Committee of the Board.

2.12 “Deferral Form” means the document, documents or electronic media prescribed by the Plan Administrator pursuant to which a Participant may make elections to defer a portion of the Participant’s Eligible Base Salary, all or a portion of the Participant’s Eligible Bonus, all or a portion of the Participant’s Directors Fees, all or a portion of the Participant’s Restricted Stock Unit Grant, or all or a portion of the Participant’s Performance Share Unit Grant.

2.13 “Deferrals” means Salary Deferrals, Bonus Deferrals and Matching Allocations.

2.14 “Director” means a member of the Board who is not also an employee of the Company or any of its affiliated entities.

2.15 “Directors Fees” means all of the cash compensation payable to a Director for service on the Board, including the cash portion of any annual retainer, meeting and other fees, but excluding any expense reimbursements.

2.16 “Disability” means any medically determinable physical or mental impairment resulting in the Participant’s inability to perform the duties of his position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six months.

2.17 “Eligible Base Salary” means that portion of the Base Salary payable following the attainment of the Limit during the Plan Year.

2.18 “Eligible Bonus” means any portion of the Bonus payable during the Plan Year under the Company’s annual incentive plan that, when added to all other compensation paid to the Eligible Employee, exceeds the Limit for the Plan Year.

2.19 “Eligible Employee” means an Employee who satisfies the eligibility requirements set forth in Article 3.

2.20 “Employee” means an employee of an Employer who is an eligible employee within the meaning of the Qualified Plan and who is classified in Salary Grade 62 or above.

2.21 “Employer” means the Company or an affiliated corporation of the Company that is an adopting employer under the Qualified Plan.

2.22 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and rulings issued thereunder. Reference to any section or subsection of ERISA includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

2.23 “Fair Market Value” of a share of Company common stock or of a stock unit means, as of a particular date, (a) if shares of common stock are listed on a national securities exchange, the average of the highest and lowest sales price per share of such common stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of common stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (b) if shares of common stock are not so listed but are quoted by The Nasdaq Stock Market, Inc., the average of the highest and lowest sales price per share of common stock reported on the consolidated transaction reporting system for The Nasdaq Stock Market, Inc., or, if there shall have been no such sale so reported on that date, on the last

preceding date on which such a sale was so reported, or, at the discretion of the Compensation Committee, the price prevailing as quoted by The Nasdaq Stock Market, Inc. at the time of exercise, (c) if the common stock is not so listed or quoted, the average of the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations are available, as reported by The Nasdaq Stock Market, Inc., or, if not reported by The Nasdaq Stock Market, Inc., by the National Quotation Bureau Incorporated or (d) if shares of common stock are not publicly traded, the most recent value determined by an independent appraiser appointed by the Company for such purpose.

2.24 "Fee Deferral" means the portion of Directors Fees which is deferred by a Participant under Section 4.4 with respect to a Plan Year.

2.25 "Limit" means the compensation limit under Code Section 401(a)(17) under the Qualified Plan.

2.26 "Matched Deferral" means a Participant's Salary Deferrals and Bonus Deferrals for a Plan Year under the Plan.

2.27 "Matching Allocation" means an allocation by the Employer for the benefit of a Participant who is an Eligible Employee, as described in Section 4.3.

2.28 "Participant" means a current or former Eligible Employee or Director who participates in the Plan in accordance with Article 3 or maintains an Account balance hereunder.

2.29 "Payment Commencement Date" shall have the meaning set forth in Section 8.2 hereof.

2.30 "Payment Form" means the document, documents, or electronic media prescribed by the Plan Administrator pursuant to which a Participant shall elect the time of distribution of his Account balance, and, with respect to the Participant's initial year of participation except as otherwise set forth in Section 8.1(b)(ii), the form of payment of his Account balance, as provided under Article 8.

2.31 "Performance Share Unit Grant" or "PSU Grant" means an award of a unit of phantom stock of the Company to a Participant under the terms of the Stock Incentive Plan which shall vest based on performance criteria established in the award agreement, and which is eligible for deferral in accordance with the award agreement.

2.32 "Plan" means the Waste Management, Inc. 409A Deferral Savings Plan as provided herein and as amended and restated effective January 1, 2014.

2.33 "Plan Administrator" means the individual, individuals or committee designated by the Company as responsible for the administration of the Plan. With respect to Eligible Employees, unless the Company determines otherwise, the Administrative Committee of the Waste Management Employee Benefit Plans (the "Administrative Committee") shall be the Plan Administrator. With respect to Directors, the Plan Administrator shall be the Nominating & Governance Committee of the Board.

2.34 "Plan Year" means the calendar year.

2.35 "Prior Plan" means the Waste Management, Inc. 409A Deferral Savings Plan, as in effect immediately prior to January 1, 2014.

2.36 "PSU Deferral" means the deferral of the receipt of payment of a Performance Share Unit Grant by a Participant under Section 4.6 in a given Plan Year.

2.37 "Qualified Plan" means the Waste Management Retirement Savings Plan, as amended from time to time.

2.38 “Restricted Stock Unit Grant” or “RSU Grant” means an award of a unit of phantom stock of the Company to a Participant under the terms of the Stock Incentive Plan which shall vest based on service, and which is eligible for deferral in accordance with the award agreement.

2.39 “RSU Deferral” means the deferral of the receipt of payment of a Restricted Stock Unit Grant by a Participant under Section 4.5 in a given Plan Year.

2.40 “Salary Deferral” means the portion of Eligible Base Salary which is deferred by a Participant under Section 4.1 with respect to a Plan Year.

2.41 “Salary Grade” means the administrative schedule employed by Company human resources as providing a fixed framework of salary ranges.

2.42 “Separation from Service” means a “separation from service” within the meaning of Code Section 409A(a)(2)(A)(i) and Treas. Reg. § 1.409A 1(h) (or any successor regulations or guidance thereto), including separation due to death.

2.43 “Specified Employee” means all current or former Eligible Employees who maintain an Account balance hereunder as provided in Treas. Reg. § 1.409A-1(i)(5).

2.44 “Stock Incentive Plan” means the Waste Management, Inc. 2004 Stock Incentive Plan, Waste Management, Inc. 2009 Stock Incentive Plan and any subsequent equity-based incentive plan adopted by the Company.

2.45 “Total Adjusted Compensation” means for a Plan Year, the excess, if any, of (i) the Eligible Employee’s Total Compensation, over (ii) the Limit.

2.46 “Total Compensation” means for a Plan Year the sum of an Eligible Employee’s Base Salary and Bonus.

ARTICLE 3
ELIGIBILITY AND PARTICIPATION

3.1 Employee Eligibility.

(a) For purposes of Salary Deferrals and Bonus Deferrals, an individual shall be eligible to participate in the Plan for a Plan Year if he is an Employee prior to the beginning of the Plan Year for which the Salary Deferral or Bonus Deferral will be applicable. An Employee hired during the Plan Year may become eligible to participate as provided in Section 3.1(d) hereof.

(b) For purposes of RSU Deferrals, an individual shall be eligible to participate in the Plan for a Plan Year if he is an Employee and he has been designated to receive a Restricted Stock Unit Grant prior to the beginning of the Plan Year in which the RSU Grant will occur.

(c) For purposes of PSU Deferrals, an Employee shall be eligible to participate in the Plan for a Plan Year if he has a Performance Share Unit Grant the performance period for which will conclude at least twelve months after the start of the Plan Year.

(d) Prior to each Plan Year, the Plan Administrator shall identity and notify those Employees who are eligible to participate in the Plan pursuant to Section 3.1(a) or 3.1(b) for such Plan Year. An individual who is hired during a Plan Year is not eligible to participate in the Plan for the remainder of the Plan Year in which he is first hired, unless (i) he is classified in Salary Grade 62 or above on his date of hire, (ii) he is not otherwise eligible for, or a participant in, a “plan” which is aggregated with the Plan for purposes of Code Section 409A and otherwise satisfies the requirements of Treas. Reg.§ 1.409A-2(a)(7), and (iii) the Compensation Committee, in its sole discretion, determines he is eligible. The Plan

Administrator shall also notify those Employees and Directors who receive a PSU Grant of their eligibility to participate in the Plan. Except with respect to the Compensation Committee's determination of eligibility for newly hired Employees pursuant to this Section 3.1(d), the Plan Administrator shall have the sole discretion to determine eligibility pursuant to the Plan.

(e) An Eligible Employee who properly completes a Deferral Form in accordance with Article 5 shall become a Participant in the Plan on the first date as of which a Salary Deferral, Bonus Deferral, RSU Deferral, or PSU Deferral is credited to his Account. A Participant in the Plan shall continue to be a Participant so long as any amount remains credited to his Account.

3.2 Director Eligibility.

(a) For purposes of Fee Deferrals, an individual shall be eligible to participate in the Plan for a Plan Year if he is a Director prior to the start of the Plan Year, or if he becomes a Director after the start of a Plan Year he shall be eligible to participate in the Plan for the remainder of the Plan Year for Directors Fees earned after his election date in accordance with Section 5.3.

(b) For purposes of RSU Deferrals, a Director shall be eligible to participate in the Plan for a Plan Year if prior to the beginning of the Plan Year for which the RSU Deferral will be applicable, he has been designated to receive a Restricted Stock Unit Grant for the Plan Year following the Plan Year in which he is designated to receive an RSU Grant.

(c) For purposes of PSU Deferrals, a Director shall be eligible to participate in the Plan for a Plan Year if he has a Performance Share Unit Grant the performance period for which will conclude at least twelve months after the start of the Plan Year.

(d) Prior to each Plan Year, the Plan Administrator shall identity and notify Directors who are eligible to participate in the Plan pursuant to Section 3.2(a) or 3.2(b) for such Plan Year. A Director who is hired during a Plan Year is not eligible to participate in the Plan for the remainder of the Plan Year in which he is first hired unless he is not otherwise eligible for, or a participant in, a "plan" which is aggregated with the Plan for purposes of Code Section 409A and otherwise satisfies the requirements of Treasury Regulation § 1.409A-2(a)(7). The Plan Administrator shall also notify those Directors who receive a PSU Grant of their eligibility to participate in the Plan. The Plan Administrator shall have the sole discretion to determine eligibility pursuant to the Plan.

(e) A Director who properly completes a Deferral Form in accordance with Article 5 shall become a Participant in the Plan on the first date as of which a Fee Deferral, RSU Deferral, or PSU Deferral is credited to his Account. A Participant in the Plan shall continue to be a Participant so long as any amount remains credited to his Account.

3.3 Suspension of Participation. If a Participant who is currently making Salary Deferrals, RSU Deferrals or PSU Deferrals, who is receiving Matching Allocations or who has a pending Bonus Deferral no longer satisfies the eligibility requirements of Section 3.1 during a Plan Year due to a change in Salary Grade, or if a Participant currently making Fee Deferrals no longer satisfies the definition of Director during a Plan Year, the Participant's Deferrals shall continue in effect in accordance with the corresponding election. The Participant shall not be allowed to make Salary Deferrals, Fee Deferrals, Bonus Deferrals or receive Matching Allocations for any subsequent Plan Year until the Participant again satisfies such eligibility requirements. The Plan Administrator shall notify the Participant when he or she is again eligible and the Participant shall be permitted to resume active participation in the Plan as of the Plan Year next following such notification.

ARTICLE 4
COMPENSATION SUBJECT TO DEFERRAL

4.1 Salary Deferrals. With respect to any Plan Year, an Eligible Employee may irrevocably elect to defer, on a pre-tax basis, up to 25% (in whole percentages) of his Eligible Base Salary. Such an election is a separate and independent election from an election to defer compensation under the Qualified Plan.

4.2 Bonus Deferrals. With respect to any Plan Year, an Eligible Employee may irrevocably elect to defer receipt of all or a portion of his Eligible Bonus (in whole percentages). Notwithstanding the foregoing, if the amount of the Bonus in excess of the Bonus Deferral is not sufficient to satisfy the tax due for FICA with respect to such Bonus, the amount of the Eligible Bonus that may be deferred shall be reduced to the extent necessary to satisfy the tax due for FICA with respect to such Bonus.

4.3 Matching Allocations.

(a) An Eligible Employee shall receive a Matching Allocation equal to (i) 100% of the Participant's Matched Deferrals up to 3% of the Participant's Total Adjusted Compensation, plus (ii) 50% of the Participant's Matched Deferrals in excess of 3% of the Participant's Total Adjusted Compensation, up to 6% of the Participant's Total Adjusted Compensation.

(b) The Employer shall credit the Matching Allocation to the Account of each Participant who is an Eligible Employee and is entitled to such a contribution pursuant to Section 4.3(a) no later than the latest date permitted by Code Section 404 for matching contributions under the Qualified Plan with respect to each Plan Year thereunder (or such later date that the need for a matching contribution is determined).

4.4 Fee Deferrals. With respect to any Plan Year, a Director may irrevocably elect to defer, on a pre-tax basis, 50% or 100% of his Director Fees payable for that Plan Year.

4.5 RSU Deferrals. An Eligible Employee or a Director may elect to defer the receipt of payment for any Restricted Stock Unit Grant. Notwithstanding the foregoing, the amount of an Eligible Employee's Restricted Stock Unit Grant eligible for deferral shall not exceed the restricted stock unit value reduced by the amount necessary to satisfy the tax due for FICA with respect to such Restricted Stock Unit Grant.

4.6 PSU Deferrals. An Eligible Employee or Director may elect to defer the receipt of payment for any Performance Share Unit Grant. Notwithstanding the foregoing, the amount of an Eligible Employee's Performance Share Unit Grant eligible for deferral shall not exceed the restricted stock unit value reduced by the amount necessary to satisfy the tax due for FICA with respect to such Performance Share Unit Grant.

ARTICLE 5
DEFERRAL ELECTION TIMING RULES

5.1 Salary Deferrals.

(a) General Rule. An election to defer Eligible Base Salary shall be made prior to the calendar year in which the Eligible Base Salary is earned. The Plan Administrator shall provide a Deferral Form and notify each Eligible Employee of the applicable election period and deadline for filing such election.

(b) Newly Eligible Employees. In the case of an Employee who is hired during a Plan Year and who the Compensation Committee determined, in its sole discretion, is an Eligible Employee pursuant to Section 3.1(e) hereof, an election to defer Eligible Base Salary must be made within 30 days after the later of (i) the date the Eligible Employee begins employment, and (ii) the date the Compensation Committee has taken action to authorize the Employee's eligibility. Such an election is effective only with respect to Eligible Base Salary earned with respect to the payroll period starting on or after the election becomes irrevocable as set forth in Section 5.6 hereof.

5.2 Bonus Deferrals.

(a) General Rule. An election to defer an Eligible Bonus must be made prior to the calendar year in which the Eligible Bonus is earned. The Plan Administrator shall provide a Deferral Form and notify each Eligible Employee of the applicable election period and deadline for filing such election.

(b) Performance-Based Compensation. If all or any portion of an Eligible Bonus is separately identifiable as “performance-based compensation,” as defined by Treas. Reg. § 1.409A-1(e), then the Bonus Deferral election with respect to that Eligible Bonus (or portion thereof) may be made at a later date, as determined by the Plan Administrator, that is at least six months before the end of the performance period, provided that such an election may not be made after the amount of such Eligible Bonus has become readily ascertainable.

(c) Newly Eligible Employees. An Eligible Employee in his first year of employment may not elect to defer any Eligible Bonus that is earned in such year.

5.3 Fee Deferrals.

(a) General Rule. An election to defer Directors Fees shall be made prior to the Plan Year in which the Directors Fees are earned. The Plan Administrator shall provide a Deferral Form and notify each Director of the applicable election period and deadline for filing such election.

(b) Newly Eligible Directors. In the case of a Director in his first year of service as a Director, an election to defer Directors Fees may be made within 30 days after the Director begins service; provided that such new Director was not eligible to participate in a plan of the Company’s that is to be aggregated with the Plan under Treasury Regulations Section 1.409A-1(c)(2). Such an election is effective only with respect to Directors Fees earned after the election.

5.4 RSU Deferrals. An election to defer receipt of payment of a Restricted Stock Unit Grant shall be made prior to the calendar year in which the Restricted Stock Unit Grant is made. The Plan Administrator shall provide a Deferral Form and notify each Eligible Employee and Director of the applicable election period and deadline for filing such election.

5.5 PSU Deferrals. An election to defer receipt of payment of a Performance Share Unit Grant shall be made at a date, as determined by the Plan Administrator, that is at least six months before the end of the performance period, provided that such an election shall not be made after the amount payable under such Performance Share Unit Grant has become readily ascertainable. The Plan Administrator shall provide a Deferral Form and notify each Eligible Employee and Director of the applicable election period and deadline for filing such election.

5.6 Deferral Forms; Irrevocability. All Deferral Forms must be timely filed, recorded or otherwise made in the manner prescribed by the Plan Administrator. An Eligible Employee or Director may change a prior election up to the date established under this Article 5. However, from and after the last date permitted for making such elections, all deferral elections pursuant to this Article 5 shall be irrevocable, except as provided in Article 8.

5.7 Rolling Elections. A Deferral Form for Deferrals, Fee Deferral, a RSU Deferral or a PSU Deferral for a Plan Year shall not apply to subsequent Plan Years unless the Plan Administrator specifically approves otherwise pursuant to such procedures and limitations as it deems appropriate. Unless the Plan Administrator has specifically approved otherwise in accordance with the previous sentence, if no Deferral Form is filed in accordance with Section 5.6 hereof for a given Plan Year, no deferrals shall be made for such Plan Year.

ARTICLE 6
ACCOUNTS

6.1 Accounts. The Plan Administrator shall establish an Account for each Participant to reflect Salary Deferrals, Bonus Deferrals, Matching Allocations, Fee Deferrals, RSU Deferrals, and PSU Deferrals, if any, made for the Participant's benefit together with any adjustments for income, gain or loss and any payments from the Account. The Accounts are established solely for the purposes of tracking Salary Deferrals, Bonus Deferrals, Matching Allocations, Fee Deferrals, RSU Deferrals, PSU Deferrals, and any income adjustments thereto. The Accounts shall not be used to segregate assets for payment of any amounts deferred or allocated under the Plan.

6.2 Crediting of Accounts. Salary Deferrals shall be credited as of the end of each payroll period, and Bonus Deferrals, RSU Deferrals, and PSU Deferrals shall be credited as of the date on which the Bonus, RSU Grant, or PSU Grant would otherwise be paid. Fee Deferrals shall be credited, based on the Fair Market Value of a share of Company common stock on the applicable crediting date as follows:

(a) Directors Fees that a Participant elects to defer for such year which would have otherwise been payable prior to July 1 of such year, shall be credited on the 15th day of January of such year; and

(b) Directors Fees that a Participant elects to defer for such year which would have otherwise been payable on or after July 1 of such year shall be credited on the 15th day of July of such year.

6.3 Investments for Salary Deferrals, Bonus Deferrals, and Matching Allocations.

(a) Amounts credited to each Participant's Account for Salary Deferrals, Bonus Deferrals, and Matching Allocations shall be deemed invested, in accordance with the Participant's directions, in one or more deemed investment fund selections made available under the Plan according to the procedures specified by the Plan Administrator. If a Participant does not make investment elections with respect to amounts credited to his Account, such amounts shall be deemed invested in the appropriate investment fund as the Investment Committee of the Waste Management Employee Benefit Plans may direct.

(b) A Participant shall make his deemed investment fund selections in any manner established by the Plan Administrator, including through a website made available for such purpose. Deemed investment selections must be made in accordance with such procedures as are established by the Plan Administrator. A Participant may change his deemed investment elections at any time, or may reallocate amounts invested among the deemed investment funds available under the Plan, subject to such procedures as are established by the Plan Administrator.

6.4 Investments for Fee Deferrals, RSU Deferrals, and PSU Deferrals. Amounts credited to each Participant's Account for Fee Deferrals, RSU Deferrals, and PSU Deferrals shall be deemed invested in Company common stock.

(a) Eligible Employee Dividends. With respect to the Accounts of Participants who are Eligible Employees, the Company shall pay cash to such a Participant equal to the dividends and other distributions (or the economic equivalent thereof) that would have been payable if the RSU Deferrals and PSU Deferrals were not so deferred and instead were issued as Company common stock. Such amounts shall be paid at such times and in such forms as the dividends or other distributions are paid on the Company's common stock.

(b) Director Dividends. With respect to the Accounts of Participants who are Directors, the Company shall credit such a Participant's Account with an additional number of Company stock units or fractions thereof having a Fair Market Value on the payment date of any dividends and other distributions (or economic equivalent thereof) that is equal to the dollar amount of dividends or other distributions (or economic equivalent thereof) paid per share of common stock multiplied by the number of stock units credited to the Participant's Account immediately before payment of such amount.

(c) In the event of a Change in Control, the Plan Administrator may, in its sole discretion, provide that accounts deemed invested in Company common stock shall become eligible for deemed investment in the manner set forth in Section 6.3.

6.5 Expenses. Expense charges for transactions performed, or deemed to be performed, for each Participant's Account and any deemed investment management fees shall be debited against each respective Account. In addition, the Plan Administrator may designate other Plan charges and administrative expenses that will be debited against Participants' Accounts.

6.6 Statements. The Plan Administrator (or its designee) shall provide the Participant with access to a statement of such Participant's Account reflecting the deemed income, gains and losses (realized and unrealized), amounts of deferrals and distributions with respect to such Account.

ARTICLE 7
VESTING

Subject to the provisions of Sections 8.3 and 12.6, a Participant shall at all times have a fully vested and nonforfeitable right to all Salary Deferrals, Bonus Deferrals, Matching Allocations, Fee Deferrals, RSU Deferrals, and PSU Deferrals, if any, credited to the Participant's Account, adjusted for deemed income, gain and loss attributable thereto.

ARTICLE 8
DISTRIBUTION OF ACCOUNTS

8.1 Election as to Time and Form of Payment.

(a) Form of Payment. When making an initial deferral election, a Participant must elect, on the initial Deferral Form, the form of payment for the amounts credited to the Participant's Accounts. Participants may elect one of the following forms of payment:

(i) three annual installment payments commencing on the Payment Commencement Date,

(ii) five annual installment payments commencing on the Payment Commencement Date,

(iii) ten annual installment payments commencing on the Payment Commencement Date, or

(iv) a single lump sum payment to be made on the Payment Commencement Date.

If a Participant does not make an election as to the form of payment with respect to all or any portion of his Account, distribution of that portion of his Account shall be made in a single lump sum payment on the Payment Commencement Date. Payments from a Participant's Account related to Deferrals may be in cash or in property, as determined by the Plan Administrator or the trustee of any existing trust from which payment is made. Payments of a Participant's Account related to RSU Deferrals and PSU Deferrals shall be paid in Company common stock except to the extent otherwise provided by Section 6.4.

(b) Scope of Elections.

(i) All Prior Plan elections remain applicable in accordance with the terms of the Prior Plan except as set forth in Section 8.2 hereof, including, without limitation, the election to defer any Bonus for calendar year 2013 payable in 2014.

(ii) All elections pursuant to Section 8.1(a) shall be made in accordance with procedures and rules established by the Plan Administrator. The election under Section 8.1(a) shall remain in effect with respect to all Deferrals, RSU Deferrals, and PSU Deferrals credited to a Participant's Account while the Participant participates in the Plan in accordance with Section 3.1 hereof; provided, however, that the Compensation Committee may, in its sole discretion, permit a Participant to elect, on a Deferral Form, an alternative form of payment effective for Plan Years beginning after the year in which the Deferral Form becomes irrevocable pursuant to Section 5.6 hereof.

8.2 Distributions to Specified Employees. Notwithstanding any provision in the Plan, the Prior Plan or any deferral election to the contrary (other than a deferral election under the Prior Plan specifying a payment date subsequent to the Payment Commencement Date), distributions to Specified Employees shall commence on the first business day of the calendar month six months after the month in which the Participant has a Separation from Service (the "Payment Commencement Date"). Any delayed distributions shall be credited with any deemed investment gains or losses that would otherwise apply to the Account pursuant to Section 6.2 during the six month period.

8.3 Permitted Acceleration of Payment. Except as provided in this Section 8.3, neither a Participant nor the Company may revoke an existing deferral election, or modify an existing payment election.

(a) Limited Cash-Outs. In the event that when a Participant dies, terminates employment, or otherwise becomes entitled to payment of his Account hereunder, the balance of the Account (together with any other accounts under plans required to be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c)(2)) is less than the applicable dollar amount under Code Section 402(g)(1)(B), the Participant's Account shall be paid out in a single lump sum during the calendar quarter beginning after the triggering payment event regardless of the Participant's payment election.

(b) Unforeseeable Emergency. Revocation of elections for Salary Deferrals, Bonus Deferrals, RSU Deferrals, PSU Deferrals and/or Fee Deferrals and payments of Account balances may be made under the conditions described in Section 8.5, regardless of the Participant's deferral or payment election.

(c) Plan Termination. Payment of a Participant's Account may be made under the conditions described in Section 10.1, regardless of the Participant's payment election.

(d) Cancellation of Deferral Due to Disability. A Participant may cancel his Salary Deferral, Bonus Deferral, RSU Deferral, PSU Deferral and/or Fee Deferral for a Plan Year by the 15th day of the third month following the date the Participant incurs a Disability.

(e) Offsets for Debts to Company. The Plan Administrator may accelerate the payment time or schedule of a Participant's Account hereunder as satisfaction of the Participant's debt to the Company, provided the debt is incurred in the ordinary course of the Participant's employment relationship, the entire amount of the reduction does not exceed $5,000 in any Plan Year and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(f) Bona Fide Disputes. The Plan Administrator may accelerate the time or schedule of a Participant's payment of his Account hereunder, or portion thereof, where the accelerated payment occurs as part of a settlement between the Participant and the Company of an arm's length, bona fide dispute as to the Participant's right to the deferred amount. Such accelerated payment must reflect at least a 25 percent reduction in the value of the amount that would have been payable had there been no dispute as to the Participant's right to the payment.

8.4 Death.

(a) If a Participant dies before payment or complete distribution (in the case of installment payments), all amounts credited to the Participant's Account shall be paid to the Participant's Beneficiary in a lump sum during the calendar year beginning after the Participant's death.

(b) A Participant may designate a Beneficiary by notifying the Plan Administrator in writing, at any time before Participant's death, on a form prescribed by the Plan Administrator for that purpose. A Participant may revoke any Beneficiary designation or designate a new Beneficiary at any time without the consent of a Beneficiary or any other person. If no Beneficiary is designated or no Beneficiary survives the Participant, payment shall be made to the Participant's surviving spouse, or, if none, to the Participant's estate.

8.5 Unforeseeable Emergency. If a Participant experiences an unforeseeable emergency, the Participant may cease his Salary Deferrals, Bonus Deferrals, RSU Deferrals, PSU Deferrals and Fee Deferrals and/or receive a distribution of only that portion, if any, of the Participant's Account that the Plan Administrator determines is necessary to satisfy such emergency, including any amounts necessary to pay any income taxes reasonably anticipated to result from the distribution. A Participant requesting to cease deferral elections and/or take a distribution due to an unforeseeable emergency shall apply for the distribution in writing using a form prescribed by the Plan Administrator for that purpose and shall provide such additional information as the Plan Administrator may require. For purposes of the Plan, an "unforeseeable emergency" means a severe financial hardship resulting from:

(a) Illness or accident of the Participant, his spouse, Beneficiary or a dependent of the Participant;

(b) Loss of Participant's property due to casualty; or

(c) Any other similar extraordinary and unforeseeable circumstance arising from events beyond the Participant's control that constitutes an unforeseeable emergency within the meaning assigned that term by Code Section 409A.

8.6 Taxes. Federal income tax withholding and other applicable withholding taxes with respect to an Account shall be deducted from such Account. All taxes that the Plan Administrator determines are required to be withheld from any payments made pursuant to this Article 8 shall be withheld.

ARTICLE 9
PLAN ADMINISTRATION

9.1 Plan Administration and Interpretation. The Plan Administrator shall oversee the administration of the Plan. The Plan Administrator shall have complete control and authority to determine the rights and benefits and all claims, demands and actions arising out of the provisions of the Plan of any Participant, Beneficiary, deceased Participant, or other person having or claiming to have any interest under the Plan. Benefits under the Plan shall be paid only if the Plan Administrator decides in its discretion that the Eligible Employee, Director, Participant or Beneficiary is entitled to them. Notwithstanding any other provision of the Plan to the contrary, the Plan Administrator shall have complete discretion to interpret the Plan and to decide all matters under the Plan. Such interpretation and decision shall be final, conclusive and binding on all Participants and any person claiming under or through any Participant, in the absence of clear and convincing evidence that the Plan Administrator acted arbitrarily and capriciously. Any individual serving as Plan Administrator who is a Participant shall not vote or act on any matter relating solely to himself. When making a determination or calculation, the Plan Administrator shall be entitled to rely on information furnished by a Participant, a Beneficiary, the Employer or a trustee (if any). The Plan Administrator shall have the responsibility for complying with any reporting and disclosure requirements of ERISA.

9.2 Powers, Duties, Procedures. The Plan Administrator shall have such powers and duties, may adopt such rules and tables, may act in accordance with such procedures, may appoint such officers or agents, may delegate such powers and duties, may receive such reimbursements and compensation, and shall follow such claims and appeal procedures with respect to the Plan as the Plan Administrator may establish.

9.3 Information. To enable the Plan Administrator to perform its functions, the Employer shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of Participants, their employment, retirement, death, Separation from Service, and such other pertinent facts as the Plan Administrator may require.

9.4 Indemnification of Plan Administrator. The Employer agrees to indemnify and to defend to the fullest extent permitted by law any director, officer or employee who serves as Plan Administrator (including any such individual who formerly served as Plan Administrator) against all liabilities, damages, costs and expenses (including reasonable attorneys' fees and amounts paid in settlement of any claims approved by the Employer in writing in advance) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

ARTICLE 10
AMENDMENT AND TERMINATION

10.1 Authority to Amend and Terminate. Subject to Section 10.2, the Plan may be amended, terminated or liquidated at any time by action of the Compensation Committee or if the Company's By-Laws or any Board committee charter provides otherwise, by action of the Board or such other committee. If the Plan is to be terminated and liquidated, all deferred compensation plans of the same type under Treas. Reg. § 1.409A-1(c)(2) must also be terminated and liquidated, and no deferred compensation plan of that same type may be established by the Company for three years following the termination. If the Plan is terminated and an irrevocable trust has been established (as described in Section 12.1), the trust shall pay benefits as provided under the amended or terminated Plan.

10.2 Existing Rights. No amendment or termination of the Plan shall adversely affect the rights of any Participant with respect to amounts that have been credited to his Account prior to the later of the date such amendment or termination is adopted or effective.

ARTICLE 11
CLAIMS

11.1 Rights. If a Participant or Beneficiary has any grievance, complaint or claim concerning any aspect of the operation or administration of the Plan, including, but not limited to, claims for benefits, the Participant or Beneficiary shall submit the claim in accordance with the procedures set forth in this Article 11.

11.2 Procedure. Claims for benefits under the Plan may be filed in writing with the Plan Administrator on a form or in such other written documents as the Plan Administrator may prescribe. The Plan Administrator shall furnish to the claimant written notice of the disposition of a claim within 90 days after the claim therefor is filed; *provided, however*, that if special circumstances require an extension of time for processing the claim, the Plan Administrator shall furnish written notice of the extension to the claimant prior to the end of the initial 90-day period, and such extension shall not exceed one additional, consecutive 90-day period. In the event the claim is denied, the notice of the disposition of the claim shall provide the specific reasons for the denial, citations of the pertinent provisions of the Plan, an explanation as to how the claimant can perfect the claim and/or submit the claim for review (where appropriate), and a statement of the claimant's right to bring a civil action under ERISA pursuant to mandatory arbitration following an adverse determination on review.

11.3 Appeal. Any Participant or Beneficiary who has been denied a benefit shall be entitled, upon request to the Plan Administrator, to appeal the denial of his or her claim. The claimant (or his or her duly authorized representative) may review pertinent documents related to the Plan and in the Plan Administrator's possession in order to prepare the appeal. The request for review, together with a written statement of the claimant's

position, must be filed with the Plan Administrator no later than 60 days after receipt of the written notification of denial of a claim provided above. The Plan Administrator's decision shall be made within 60 days following the filing of the request for review and shall be communicated in writing to the claimant; provided, if special circumstances require an extension of time for processing the appeal, the Plan Administrator shall furnish written notice of the extension to the claimant prior to the end of the initial 60-day period, and such extension shall not exceed one additional 60-day period. If unfavorable, the notice of the decision shall explain the reasons for denial, indicate the provisions of the Plan or other documents used to arrive at the decision and state the claimant's right to bring a civil action under ERISA.

11.4 Limitations. Benefits under the Plan will be paid only if the Plan Administrator decides in its discretion that a Participant or Beneficiary is entitled to benefits. Notwithstanding the foregoing or any provision of the Plan or the Prior Plan to the contrary, a Participant must exhaust all administrative remedies set forth in this Article 11 or otherwise established by the Plan Administrator before bringing any action at law or equity. Any claim based on a denial of a claim under the Plan or the Prior Plan must be brought no later than the date which is two years after the date of the final denial of a claim under Section 11.3. Any claim not brought within such time shall be waived and forever barred.

ARTICLE 12
MISCELLANEOUS

12.1 No Funding. The Company intends that the Plan constitute an "unfunded" plan for tax purposes and for purposes of Title I of ERISA; provided that the Plan Administrator may authorize the creation of trusts and deposit therein cash or other property, or make other arrangements to meet the Company's obligations under the Plan, and further provided that such a trust shall be established upon a Change in Control, if none has previously been established, and the Company shall make a contribution to such trust effective as of the date of the Change in Control in an amount equal to the sum of the value of all Participant Accounts (including deemed investment gains) under the Plan as of such date and all contributions made to the Trust as of the date of the Change in Control shall thereafter be irrevocable until all Accounts under the Plan have been paid in full. Such trusts or other arrangements shall be consistent with the unfunded status of the Plan, unless the Plan Administrator otherwise determines with the consent of each Participant. In the event that such a trust or other arrangement is established, any Matching Allocations under the Plan may be made in cash or in property (either in part or in whole), including common stock of the Company.

12.2 General Creditor Status. The Plan constitutes a mere promise by the Company to make payments in accordance with the terms of the Plan and Participants and Beneficiaries shall have the status of general unsecured creditors of the Company. Nothing in the Plan will be construed to give any employee or any other person rights to any specific assets of the Company or of any other person.

12.3 Non-assignability. None of the benefits, payments, proceeds or claims of any Participant or Beneficiary shall be subject to any claim of any creditor of any Participant or Beneficiary and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor of such Participant or Beneficiary, nor shall any Participant or Beneficiary have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds that he or she may expect to receive, contingently or otherwise under the Plan.

12.4 Limitation of Participant's Rights. Nothing contained in the Plan shall confer upon any person a right to be employed or to continue in the employ of an Employer, or to interfere, in any way, with an Employer's right to terminate the employment of a Participant in the Plan at any time, with or without cause.

12.5 Participants Bound. Any action with respect to the Plan taken by the Plan Administrator or a trustee (if any), or any action authorized by or taken at the direction of the Plan Administrator or a trustee (if any), shall be conclusive upon all Participants and Beneficiaries entitled to benefits under the Plan.

12.6 Satisfaction of Claims; Unclaimed Benefits. Any payment to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims under the Plan against the Employer, the Plan Administrator and a trustee (if any) under the Plan, and the Plan Administrator

may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or Beneficiary is determined by the Plan Administrator to be incompetent by reason of physical or mental disability (including minority) to give a valid receipt and release, the Plan Administrator may cause the payment or payments becoming due to such person to be made to another person for his benefit without responsibility on the part of the Plan Administrator, the Employer or a trustee (if any) to follow the application of such funds. In the case of a benefit payable on behalf of a Participant, if the Plan Administrator is unable to locate the Participant or beneficiary to whom such benefit is payable, upon the Plan Administrator's determination thereof, such benefit shall be forfeited to the Company. Notwithstanding the foregoing, if subsequent to any such forfeiture the Participant or beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be restored to the Plan by the Company.

12.7 Governing Law and Severability. The Plan shall be construed, administered, and governed in all respects under and by the laws of the State of Texas. If any provision is held by a court of competent jurisdiction to be invalid or unenforceable for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

12.8 No Contract of Employment. The adoption and maintenance of the Plan shall not be deemed to be a contract between the Company and any person or to be consideration for the employment of any person. Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Company or to restrict the right of the Company to discharge any person at any time nor shall the Plan be deemed to give the Company the right to require any person to remain in the employ of the Company or to restrict any person's right to terminate his employment at any time.

12.9 Headings. Headings and subheading in the Plan are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

12.10 Number and Gender. Any reference in the Plan to the singular includes the plural where appropriate, and any reference in the Plan to the masculine gender includes the feminine and neuter genders where appropriate.

IN WITNESS WHEREOF, the Company has caused these presents to be executed by its duly authorized officer in a number of copies, all of which shall constitute but one and the same instrument which may be sufficiently evidenced by any executed copy hereof, this 13th day of December, 2013, but effective as of January 1, 2014.

WASTE MANAGEMENT, INC.

By: */s/ Mark Schwartz*
Name: Mark Schwartz
Title: SVP HR

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David P. Steiner, certify that:

i. I have reviewed this report on Form 10-Q of Waste Management, Inc.;

ii. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

iii. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

iv. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15(e) and 15d — 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a — 15(f) and 15d — 15(f)) for the registrant and have:

A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

v. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

A. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DAVID P. STEINER
David P. Steiner
President and Chief Executive Officer

Date: April 24, 2014

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James C. Fish, Jr., certify that:

i. I have reviewed this report on Form 10-Q of Waste Management, Inc.;

ii. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

iii. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

iv. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a — 15(e) and 15d — 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a — 15(f) and 15d — 15(f)) for the registrant and have:

A. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

B. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

C. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

D. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

v. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

A. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

B. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ JAMES C. FISH, JR.
James C. Fish, Jr.
Executive Vice President and
Chief Financial Officer

Date: April 24, 2014

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Waste Management, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David P. Steiner, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ DAVID P. STEINER
David P. Steiner
President and Chief Executive Officer

April 24, 2014

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Waste Management, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, James C. Fish, Jr., Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JAMES C. FISH, JR.

James C. Fish, Jr.
Executive Vice President and
Chief Financial Officer

April 24, 2014

Mine Safety Disclosures

This exhibit contains certain specified disclosures regarding mine safety required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K. Certain of our subsidiaries have permits for surface mining operations that are incidental to excavation work for landfill development.

During the three-month period ended March 31, 2014, we did not receive any of the following: (a) a citation from the U.S. Mine Safety and Health Administration ("MSHA") for a violation of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Federal Mine Safety and Health Act of 1977 (the "Mine Safety Act"); (b) an order issued under section 104(b) of the Mine Safety Act; (c) a citation or order for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Safety Act; (d) a flagrant violation under section 110(b)(2) of the Mine Safety Act; (e) an imminent danger order under section 107(a) of the Mine Safety Act; or (f) a proposed assessment from the MSHA.

In addition, during the three-month period ended March 31, 2014, we had no mining-related fatalities, we had no pending legal actions before the Federal Mine Safety and Health Review Commission involving a coal or other mine, and we did not receive any written notice from the MSHA involving a pattern of violations, or the potential to have such a pattern, of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards under section 104(e) of the Mine Safety Act.