WASTE MANAGEMENT INC
Form 424B5
February 24, 2009

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-137526

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
6.375% Senior Notes due 2015	$ 350,000,000	$ 13,755
7.375% Senior Notes due 2019	$ 450,000,000	$ 17,685
Guarantee of 2015 Notes(2)		
Guarantee of 2019 Notes(2)		
Total	$ 800,000,000	$ 31,440

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

(2) Pursuant to Rule 457(n), no separate fee for the guarantee is payable.

Prospectus Supplement
(To Prospectus Dated September 22, 2006)

$800,000,000

$350,000,000 6.375% Senior Notes due 2015

$450,000,000 7.375% Senior Notes due 2019

We are offering $350 million of our 6.375% senior notes due 2015 and $450 million of our 7.375% senior notes due 2019. Interest on the notes of each series will accrue from February 26, 2009 and will be payable on March 11 and September 11 of each year, beginning September 11, 2009. The 2015 notes will mature on March 11, 2015 and the 2019 notes will mature on March 11, 2019. We use the term notes to refer to both series of notes collectively.

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

We may redeem the 2015 notes and the 2019 notes, in whole or in part, at any time at the redemption prices described beginning on page S-14. If a change of control triggering event as described on page S-17 occurs, we may be required to offer to purchase the notes of each series from holders.

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

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

	Per 2015 Note	Total	Per 2019 Note	Total
Public Offering Price(1)	99.650%	$ 348,775,000	99.882%	$ 449,469,000
Underwriting Discount	0.600%	$ 2,100,000	0.650%	$ 2,925,000
Proceeds to Us (excluding expenses)	99.050%	$ 346,675,000	99.232%	$ 446,544,000

(1) Plus accrued interest from February 26, 2009 if delivery occurs after that date.

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

The underwriters expect to deliver the notes to investors on or about February 26, 2009 only in book-entry form through the facilities of The Depository Trust Company and its participants, including Euroclear and Clearstream Luxembourg.

Joint Book-Running and Joint Lead Managers

Barclays Capital **Credit Suisse** **Deutsche Bank Securities** **RBS Greenwich Capital**

Co-Managers

2015 Notes

BNP PARIBAS
BNY Mellon Capital Markets LLC
CALYON
PNC Capital Markets LLC
Scotia Capital
Wells Fargo Securities

2019 Notes

BNP PARIBAS
Goldman, Sachs & Co.
Mizuho Securities USA Inc.
Morgan Keegan & Company, Inc.
Scotia Capital
SunTrust Robinson Humphrey

February 23, 2009

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

TABLE OF CONTENTS

Table of Contents

SUMMARY

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

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

About Waste Management

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

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

About Waste Management Holdings, Inc.

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

The Offering

Issuer	Waste Management, Inc.
Securities Offered	$800 million aggregate principal amount of notes, consisting of: $350 million aggregate principal amount of 6.375% Senior Notes due 2015 $450 million aggregate principal amount of 7.375% Senior Notes due 2019
Subsidiary Guarantee	

	WM Holdings will fully and unconditionally guarantee, on a senior unsecured basis, the full and prompt payment of the principal and any premium and interest on the notes of each series, when and as it becomes due and payable, whether at maturity or otherwise.
Maturity Date	2015 notes - March 11, 2015
	2019 notes - March 11, 2019

Table of Contents

Interest Rate	2015 notes - 6.375% per year 2019 notes - 7.375% per year
Interest Payment Dates	March 11 and September 11 of each year, commencing September 11, 2009
Optional Redemption	We may elect to redeem and repay any or all of the notes at any time in minimum principal amounts of $2,000 or any integral of $1,000 in excess thereof. We will pay an amount equal to the greater of 100% of the principal amount of the notes redeemed and repaid, or the sum of the present values of the remaining scheduled payments of principal and interest on the notes, as described on page S-14 of this prospectus supplement. We will also pay accrued interest to the redemption date. Please read Description of Notes Optional Redemption.
Change of Control Offer	If a change of control triggering event as described on page S-17 occurs, holders of the notes of each series may require us to purchase all or a portion of such holder s notes at a price equal to 101% of the principal amount, plus accrued interest, if any, to the date of purchase. See Description of Notes Change of Control Offer.
Ranking	The notes and the guarantee will constitute the senior unsecured debt of Waste Management, Inc. and WM Holdings, respectively, and will rank equally with all of our and its other existing and future senior indebtedness from time to time outstanding.
Covenants	We will issue the notes under an indenture containing covenants for your benefit. These covenants restrict our ability, with certain exceptions, to: create, incur or assume debt secured by liens; engage in sale and leaseback transactions; and merge, consolidate or transfer all or substantially all of our assets.
Use of Proceeds	We expect the net proceeds from the offering of the notes to be $792.6 million, after deducting underwriting discounts and commissions and estimated expenses of the offering that we will pay. These net proceeds will be used to repay in full at maturity certain of our debt securities and for general corporate purposes. For more details, see Use of Proceeds.
Trustee	The Bank of New York Mellon Trust Company, N.A.
Additional Issues	We may, without the consent of the holders, create and issue additional notes of each series ranking equally and ratably with the notes of such series in all respects, so that such additional notes shall be considered and

form a single series with the notes of such series.

Ratio of Earnings to Fixed Charges

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

	Years Ended December 31,				
	2008	2007	2006	2005	2004
Ratio of earnings to fixed charges	4.5x	4.0x	3.5x	3.2x	3.5x

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

Table of Contents

RISK FACTORS

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

Risks Related to the Notes

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

As a holding company, we conduct our operations through our operating subsidiaries, and our only significant assets are the capital stock of our subsidiaries. Accordingly, our ability to meet our cash obligations, including our obligations under the notes, depends in part upon the ability of our subsidiaries to make cash distributions to us. Any of our subsidiaries declaration of bankruptcy, liquidation or reorganization could materially adversely affect their ability to make cash distributions to us. The ability of our subsidiaries to make distributions to us is also, and will continue to be, restricted by, among other limitations, applicable provisions of the laws of national or state governments and contractual provisions. As of December 31, 2008, our operating subsidiaries had $3.25 billion of indebtedness, excluding inter-company loans. Any inability to pay amounts to us, whether by reason of financial difficulties or other restrictions, could have a material adverse effect on our ability to service and repay our debt, including the notes.

We have substantial indebtedness.

We have substantial indebtedness. At December 31, 2008, our ratio of total debt to total capitalization was 58.5% and our total consolidated indebtedness as of December 31, 2008 was $8.33 billion. Our annual debt service obligations vary due to differing maturities on all of our debt instruments; however, our total interest expense for the twelve months ended December 31, 2008 was $472 million. A 1% increase in interest rates for our variable rate instruments, including our interest rate swaps, would have increased our interest expense for the twelve months ended December 31, 2008 by 6.4%, or $30 million. Such an increase would have caused our coverage ratio, which we calculate as consolidated net income plus interest and income taxes over interest expense, to decrease from 4.7 to 1 to 4.4 to 1 for the twelve months ended December 31, 2008. Although such an interest rate increase would also affect our other debt covenants, we would still be in compliance with all of these covenants, including the coverage ratio covenant. However, any more substantial increases in interest rates for our variable rate instruments could affect our compliance with our debt covenants, liquidity and ability to service our debt, including making payments on the notes.

The degree to which we are leveraged could adversely affect our ability to obtain additional financing and could make us more vulnerable to industry downturns or competitive pressures, all of which could materially adversely affect our ability to meet our debt service obligations. Additionally, our indentures do not limit the amount of future indebtedness that we can create, incur, assume or guarantee. The incurrence of additional debt could exacerbate any risks associated with our liquidity.

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

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

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

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

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

You may not be able to sell the notes.

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

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

Risks Related to Our Business

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

Our business is affected by changes in national and general economic factors that are outside of our control, including consumer confidence, interest rates and access to capital markets. Although our services are of an essential nature, a weak economy generally results in decreases in volumes of waste generated, which decreases our revenues. Additionally, consumer uncertainty and the loss of consumer confidence may limit the number or amount of services requested by customers and our ability to increase customers pricing. During weak economic conditions we may also be adversely impacted by customers inability to pay us in a timely manner, if at all, due to their financial difficulties, which could include bankruptcies. The availability of credit in the second half of 2008 was severely limited, which negatively affected business and consumer spending generally. If our customers do not have access to capital, we do not expect that our volumes will improve or that we will increase new business. Additionally, if we are unable to access credit on favorable terms, our growth, development and capital spending plans may be adversely affected.

Table of Contents

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

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

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

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

In recent years, we have implemented several profit improvement initiatives aimed at lowering our costs and enhancing our revenues. We have implemented price increases and environmental fees, and we have continued our fuel surcharge program, all of which have increased our internal revenue growth. The loss of volumes as a result of price increases may negatively affect our cash flows or results of operations. We continue to seek to divest under-performing and non-strategic assets if we cannot improve their profitability. We may not be able to successfully negotiate the divestiture of under-performing and non-strategic operations, which could result in asset impairments or the continued operation of low-margin businesses. Additionally, in February 2009 we announced that we had taken steps to realign our field operations to combine several of our market areas in an effort to achieve greater economies of scale in our local and regional operations and our corporate organization to provide support functions more efficiently. If we are not able to fully or successfully implement our plans and strategies for any reason, many of which are out of our control, we may not see the expected improvements in our income from operations or our operating margins.

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

Our operating revenues tend to be somewhat higher in summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. Additionally, certain destructive weather conditions that tend to occur during the second half of the year, such as the hurricanes generally experienced by our Southern group, actually increase our revenues in the areas affected. However, for several reasons, including significant start-up costs, such revenue often generates earnings at comparatively lower margins. Certain weather conditions may result in the temporary suspension of our operations, which can significantly affect the operating results of the affected regions. The operating results of our first quarter also often reflect higher repair and maintenance expenses because we rely on the slower winter months, when waste flows are generally lower, to perform scheduled maintenance at our waste to-energy facilities. For these and other reasons, operating results in any interim period are not necessarily indicative of operating results for an entire year, and operating results for any historical period are not necessarily indicative of operating results for a future period.

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

We could be liable if our operations cause environmental damage to our properties or to the property of other landowners, particularly as a result of the contamination of air, drinking water or soil. Under current law,

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Regulations affecting the siting, design and closure of landfills could require us to undertake investigatory or remedial activities, curtail operations or close landfills temporarily or permanently. Future changes in these regulations may require us to modify, supplement or replace equipment or facilities. The costs of complying with these regulations could be substantial.

In order to develop, expand or operate a landfill or other waste management facility, we must have various facility permits and other governmental approvals, including those relating to zoning, environmental protection and land use. The permits and approvals are often difficult, time consuming and costly to obtain and could contain conditions that limit our operations.

Governmental authorities may enact climate change regulations that could increase our costs to operate.

Environmental advocacy groups and regulatory agencies in the United States have been focusing considerable attention on the emissions of greenhouse gases and their potential role in climate change. The adoption of laws and regulations to implement controls of greenhouse gases, including the imposition of fees or taxes, could adversely affect our collection and disposal operations. Additionally, certain of the states in which we operate are contemplating air pollution control regulations that are more stringent than existing and proposed federal regulations. Changing environmental regulations could require us to take any number of actions, including the purchase of emission allowances or installation of additional pollution control technology, and could make some operations less profitable, which could adversely affect our results of operations.

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

The price and supply of fuel are unpredictable, and can fluctuate significantly based on international, political and economic circumstances, as well as other factors outside our control, such as actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, regional production patterns, weather conditions and environmental concerns. We have seen average quarterly fuel prices increase by as much as 56% on a year-over-year basis and decrease by as much as 9% on a year-over-year basis within the last two years. We need fuel to run our collection and transfer trucks and equipment used in our landfill operations. Supply shortages could substantially increase our operating expenses. Additionally, as fuel prices increase, our direct operating expenses increase and many of our vendors raise their prices as a means to offset their own rising costs. We have in place a fuel surcharge program, designed to offset increased fuel expenses; however, we may not be able to pass through all of our increased costs and some customers contracts prohibit any pass through of the increased costs. We may initiate other programs or means to guard against the rising costs of fuel, although there can be no assurances that we will be able to do so or that such programs will be successful. Regardless of any offsetting surcharge programs, the increased operating costs will decrease our operating margins.

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

The amount of insurance we are required to maintain for environmental liability is governed by statutory requirements. We believe that the cost for such insurance is high relative to the coverage it would provide, and therefore, our coverages are generally maintained at the minimum statutorily required levels. We face the risk of incurring additional costs for environmental damage if our insurance coverage is ultimately inadequate to cover those damages. We also carry a broad range of insurance coverages that are customary for a company our size. We use these programs to mitigate risk of loss, thereby allowing us to manage our self-insurance exposure associated with claims. The inability of our insurers to meet their commitments in a timely manner and the effect of significant claims or litigation against insurance companies may subject us to additional risks. To the extent our insurers were unable to meet their obligations, or our own obligations for claims were more than we estimated, there could be a material adverse effect to our financial results.

In addition, to fulfill our financial assurance obligations with respect to environmental closure and post-closure obligations, we generally obtain letters of credit or surety bonds, rely on insurance, including captive insurance, fund trust and escrow accounts or rely upon parent company financial guarantees. We currently have in place all financial assurance instruments necessary for our operations. We do not anticipate any unmanageable difficulty in obtaining financial assurance instruments in the future, although general economic factors may adversely affect the cost of our current financial assurance instruments. Additionally, in the event we are unable to obtain sufficient surety bonding, letters of credit or third-party insurance coverage at reasonable cost, or one or more states cease to view captive insurance as adequate coverage, we would need to rely on other forms of financial assurance. It is possible that we could be forced to deposit cash to collateralize our obligations. Other forms of financial assurance could be more expensive to obtain, and any requirements to use cash to support our obligations would negatively impact our liquidity and capital resources and could affect our ability to meet our obligations as they become due.

Table of Contents

We may record material charges against our earnings due to any number of events that could cause impairments to our assets.

In accordance with generally accepted accounting principles, we capitalize certain expenditures and advances relating to disposal site development, expansion projects, acquisitions, software development costs and other projects. Events that could, in some circumstances, lead to an impairment include, but are not limited to, shutting down a facility or operation or abandoning a development project or the denial of an expansion permit. If we determine a development or expansion project is impaired, we will charge against earnings any unamortized capitalized expenditures and advances relating to such facility or project reduced by any portion of the capitalized costs that we estimate will be recoverable, through sale or otherwise. We also carry a significant amount of goodwill on our Consolidated Balance Sheet, which is required to be assessed for impairment annually, and more frequently in the case of certain triggering events. The recent downturn in the recycling commodities market could potentially cause the carrying value of our recycling operations assets to be lower than their fair value, resulting in an impairment to goodwill.

We may be required to incur charges against earnings if we determine that events such as those described cause impairments. Any such charges could have a material adverse effect on our results of operations.

Our revenues will fluctuate based on changes in commodity prices.

Our recycling operations process for sale certain recyclable materials, including fibers, aluminum and glass, all of which are subject to significant market price fluctuations. The majority of the recyclables that we process for sale are paper fibers, including old corrugated cardboard, known as OCC, and old newsprint, or ONP. The fluctuations in the market prices or demand for these commodities can affect our operating income and cash flows, as we experienced in 2008. In the fourth quarter of 2008, the monthly market prices for OCC and ONP fell by 79% and 72%, respectively, from their high points within the year. The decline in market prices for commodities resulted in a fourth quarter 2008 year-over-year decrease in revenue of almost $100 million. Additionally, our recycling operations offer rebates to suppliers. Therefore, even if we experience higher revenues based on increased market prices for commodities, the rebates we pay will also increase and in some circumstances, the rebates may have floors even as market prices decrease, which could eliminate any expected profit margins.

Additionally, there may be significant price fluctuations in the price of methane gas, electricity and other energy related products that are marketed and sold by our landfill gas recovery, waste-to-energy and independent power production plant operations. The marketing and sales of energy related products by our landfill gas and waste-to-energy operations are generally pursuant to long-term sales agreements. Therefore, market volatility does not cause our quarterly results to fluctuate significantly. However, as longer-term agreements expire and are up for renewal, or as market prices remain at lower levels for sustained periods, our revenues will be adversely affected. Additionally, revenues from our independent power production plants can be affected by price fluctuations. In the past two years, the year-over-year changes in the average quarterly electricity prices have ranged from increases of as much as 26% to decreases of as much as 5%.

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

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

Table of Contents

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

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

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

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

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

We may experience problems with either the operation of our current information technology systems or the development and deployment of new information technology systems that could adversely affect, or even temporarily disrupt, all or a portion of our operations until resolved. We encountered problems with the revenue management application that we had been piloting throughout 2007, resulting in the termination of the pilot, which has impeded our ability to realize improved operating margins as a result of a new system. Inabilities and delays in implementing new systems can also affect our ability to realize projected or expected cost savings. There can be no assurances that our issues related to the licensed application will not ultimately result in an impairment charge, which could be material. Additionally, any systems failures could impede our ability to timely collect and report financial results in accordance with applicable laws and regulations.

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

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

Unforeseen circumstances could result in a need for additional capital.

We currently expect to meet our anticipated cash needs for capital expenditures, scheduled debt repayments, acquisitions and other cash expenditures with our cash flows from operations and, to the extent necessary and available, additional financings. However, materially adverse events, including recent economic conditions, may reduce our cash flows from operations. Our Board of Directors has approved a capital allocation program for 2009 that provides for up to $1.3 billion in aggregate dividend payments, share repurchases, acquisitions and debt reductions. In December 2008, we announced that we expect future

Table of Contents

quarterly dividend payments, when declared by the Board of Directors, to be $0.29 per share. If the impact on our cash flows from operations is significant, we may need to reduce capital expenditures, acquisition activity or dividend declarations unless we are able to incur indebtedness to either pay for these activities or refinance our scheduled debt maturities. In light of the recent state of the credit markets, there can be no assurances that we will be able to obtain additional financings on acceptable terms. In these circumstances, we would likely use our revolving credit facility to meet our cash needs, to the extent available. As of December 31, 2008, we had $297 million of capacity under our revolving credit facility.

In the event of a default under our credit facility, we could be required to immediately repay all outstanding borrowings and make cash deposits as collateral for all obligations the facility supports, which we may not be able to do. Additionally, any such default could cause a default under many of our other credit agreements and debt instruments. Any such default would have a material adverse effect on our ability to operate.

USE OF PROCEEDS

We expect the net proceeds from the offering of the notes to be $792.6 million, after deducting discounts to the underwriters and estimated expenses of the offering that we will pay. We intend to use the net proceeds to repay the $500 million principal amount of our outstanding 6.875% Senior Notes when they mature in May 2009. We intend to use any remaining proceeds for general corporate purposes, which may include repayments of amounts outstanding under our revolving credit facility. Pending application of the offering proceeds as described, we may temporarily invest the proceeds in short-term investments.

Affiliates of some of the underwriters are lenders under our revolving credit facility and may receive a share of the proceeds of this offering as a result of any repayment of outstanding indebtedness under our revolving credit facility. See Underwriting.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and consolidated capitalization as of December 31, 2008 and as adjusted to give effect to the offering of the notes and the application of the net proceeds as described under Use of Proceeds.

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

	December 31, 2008	
	Actual	**As Adjusted**
	(Dollars in millions)	
Cash and Cash Equivalents:	$ 480	$ 773
Debt:		
Revolving credit facility (weighted average interest rate of 2.4% at December 31, 2008)(a)	$ 300	$ 300
Canadian credit facility (weighted average interest rate of 3.3% at December 31, 2008)(b)	242	242
Senior notes and debentures		
Maturing through 2032, interest rates ranging from 5.0% to 7.75% (weighted average interest rate of 6.8% at December 31, 2008)	4,628	4,128
6.375% Senior Notes due 2015 offered hereby		350
7.375% Senior Notes due 2019 offered hereby		450
Tax-exempt bonds maturing through 2039, fixed and variable interest rates ranging from 0.9% to 7.4% (weighted average interest rate of 3.9% at December 31, 2008)(c)	2,684	2,684
Tax-exempt project bonds, principal payable in periodic installments, maturing through 2029, fixed and variable interest rates ranging from 1.2% to 9.3% (weighted average interest rate of 4.9% at December 31, 2008)(d)	220	220
Capital leases and other, maturing through 2050, interest rates up to 12%	252	252
Total Debt	$ 8,326	$ 8,626
Stockholders Equity:		