WASTE MANAGEMENT INC
Form 424B5
March 03, 2004

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration Number 333-97697
333-97697-01

Prospectus Supplement
(To Prospectus Dated November 20, 2002)

$350,000,000

5.00% Senior Notes due 2014

The notes will mature on March 15, 2014. Interest on the notes will accrue from March 5, 2004 and will be payable on March 15 and September 15 of each year beginning on September 15, 2004. We may redeem some or all of the notes at any time at the redemption prices discussed under the caption Description of Notes Optional Redemption in this prospectus supplement. The notes will be issued in denominations of $1,000 and integral multiples of $1,000.

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

See Risk Factors beginning on page S-2 of this prospectus supplement and page 3 of the accompanying prospectus for a discussion of risks that you should consider in connection with an investment in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Underwriting Discounts	Proceeds to Us
Per Note	99.624%	0.650%	98.974%
Total	$348,684,000	$2,275,000	$346,409,000

(1) Plus accrued interest from March 5, 2004 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 through the book-entry system of The Depository Trust Company on or about March 5, 2004.

Joint Book-Running and Joint Lead Managers

Barclays Capital **Deutsche Bank Securities** **JPMorgan**

ABN AMRO Incorporated

BNP PARIBAS

PNC Capital Markets, Inc.

Scotia Capital

SunTrust Robinson Humphreys

Wachovia Securities

March 2, 2004

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the notes. If the description of this offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. 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 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.

As used in this prospectus supplement, the terms Waste Management, we, us or our refer to Waste Management, Inc. and its subsidiaries, unless the context otherwise requires.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
Forward-Looking Statements	S-1
Risk Factors	S-2
Our Company	S-3
Use of Proceeds	S-3
Description of Notes	S-3
Underwriting	S-8
Legal Matters	S-9
Experts	S-9
Prospectus	
Where to Find More Information	i
Our Company	1
Risk Factors	3
Forward-Looking Statements	8
Use of Proceeds	9
Ratio of Earnings to Fixed Charges	9
Description of Debt Securities	10
Description of Guarantees	35
Description of Capital Stock	35
Plan of Distribution	37
Validity of Securities	39
Experts	39

Table of Contents

FORWARD-LOOKING STATEMENTS

The information in this prospectus supplement is accurate only as of the date hereof, and will not be updated as a result of new information or future events or developments.

This prospectus supplement and the accompanying prospectus contain or incorporate forward-looking statements within the meaning of the securities laws about our financial results, estimates and business prospects. While these forward-looking statements reflect our current views on future events and financial performance, they involve substantial risks and uncertainties. You can identify these statements by the fact they use words such as anticipate, estimate, expect, project, intend, plan, believe, and other words and terms of similar meaning in connection v discussion of future operating or financial performance. Among the factors that could cause actual results to differ are:

- potential liability for environmental damages resulting from our operations;
- possible changes in our estimates of site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments;
- the possible impact of regulations on our business, including the cost to comply with regulatory requirements and the potential liabilities associated with disposal operations, as well as our ability to obtain and maintain permits needed to operate our facilities;
- the effect of limitations or bans on disposal or transportation of out-of-state waste or certain categories of waste;
- possible charges against earnings as a result of shut-down operations, development or expansion projects, uncompleted acquisitions or other events;
- the effects that trends toward requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes could have on volumes of waste going to landfills and waste-to-energy facilities;
- the effect the weather has on our quarter to quarter results, as well as the effect of extremely harsh weather on our operations;
- the effect that price fluctuations on commodity prices may have on our operating revenues;
- the outcome of litigation or threatened litigation;
- the effect competition in our industry could have on our profitability;
- possible diversions of management s attention and increases in operating expenses due to efforts by labor unions to organize our employees;
- possible increases in operating expenses due to fuel price increases or fuel supply shortages;
- the effects of general economic conditions, including the impact of potential interest rate fluctuations and the ability of insurers to fully or timely meet their contractual commitments and of surety companies to continue to issue surety bonds;
- the need for additional capital if cash flows are less than we expect or capital expenditures are more than we expect, and the possibility that we cannot obtain additional capital on acceptable terms if needed;
- possible errors or problems upon implementation of new information technology systems; and
- possible fluctuations in quarterly results of operations or adverse impacts on our results of operations as a result of the adoption of new accounting standards or interpretations.

Table of Contents

RISK FACTORS

The following is a discussion of certain risk factors that relate specifically to an investment in the notes. You should carefully consider the risks below, as well as those contained in the accompanying prospectus and in our Annual Report on Form 10-K, which is incorporated by reference. These documents include additional risks related to our business. However, all of the risks disclosed are not the only risks that we may face. There may be additional risks not presently known to us or that we currently deem immaterial which also may materially impair our business operations and ability to repay the notes.

Risks Relating to an Investment in the Notes

The notes are subordinate to the obligations of our operating subsidiaries

As a holding company, we conduct our operations through our 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 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.

We have recently increased our use of tax-exempt financing by our operating subsidiaries, and plan to continue this financing strategy in the future. As a result, we expect that over time the aggregate amount of debt at the parent company level will decrease relative to the aggregate amount of debt owed by our operating subsidiaries. This means that the notes may be structurally subordinate to increasing amounts of indebtedness of our operating subsidiaries. Any inability of our operating subsidiaries 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, 2003, our ratio of total debt to total capitalization was approximately 60% and our total consolidated indebtedness as of December 31, 2003 was approximately $8.5 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, 2003 was approximately $439 million. A 1% increase in interest rates would increase our forecasted interest expense for 2004 by approximately 7%, or $32 million. Such an increase would cause our coverage ratio, which is one of our debt covenants and is calculated as consolidated net income plus interest and income taxes over interest expense, to decrease from 3.45 to 1 to 3.23 to 1 as of December 31, 2003. 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 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 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 would exacerbate any risks associated with our liquidity.

Fraudulent transfer statutes may limit your rights under guarantees of the notes

Our obligations under the notes will be guaranteed by our wholly-owned subsidiary, Waste Management Holdings, or WM Holdings. The guarantees 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 guarantees as fraudulent transfers under relevant federal and state laws. Under certain circumstances, including a

Table of Contents

finding that WM Holdings was insolvent at the time its guarantees were issued, a court could hold that the obligations of WM Holdings under the guarantees may be voided or are subordinate to other obligations of WM Holdings, or that the amount for which WM Holdings is liable under its guarantees of the notes may be limited. If a court determined that WM Holdings was insolvent on the date the guarantees of the notes were issued, or that the guarantees constituted fraudulent transfers 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.

You may not be able to sell the notes

There will be no active trading market for the notes, and a market may never develop. If the notes are traded after their initial issuance, they may trade at a discount from their initial offering price. Factors that could cause the notes to trade at a discount are:

- increases in then prevailing interest rates;
- declines in our credit worthiness;
- weakness in the markets for similar securities; and
- declining general economic conditions.

OUR COMPANY

We are the leading provider of integrated waste services in North America. Through our subsidiaries, we provide collection, transfer, recycling and resource recovery and disposal services. We are also a leading developer, operator and owner of waste-to-energy facilities in the United States. Our customers include commercial, industrial, municipal and residential customers, other waste management companies, 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. Except as specifically provided herein, we are not incorporating by reference information contained on our website. See *Where to Find More Information* in the accompanying prospectus. Our common stock is traded on the New York Stock Exchange under the symbol WMI.

USE OF PROCEEDS

We expect the net proceeds from the offering of the notes to be approximately $346.3 million, after deducting discounts to the underwriters and estimated expenses of the offering. We intend to use the net proceeds, together with cash on hand, to retire all $150 million principal amount of our outstanding 8% senior notes due April 30, 2004 and all $200 million of our outstanding 6.5% senior notes due May 15, 2004. Pending application of the proceeds as described, we will temporarily invest the proceeds in short-term investments.

DESCRIPTION OF NOTES

The notes are a new series of debt securities described in the accompanying prospectus that will be issued under an Indenture dated as of September 10, 1997, between us and JPMorgan Chase Bank (the successor to The Chase Manhattan Bank), as Trustee. We will issue the notes pursuant to a resolution of our Board of Directors and accompanying officers certificate setting forth the specific terms applicable to the notes.

This Description of Notes is intended to be an overview of the material provisions of the notes and is intended to supplement, and to the extent of any inconsistency replace, the description of the general

Table of Contents

terms and provisions of the debt securities set forth in the accompanying prospectus, to which we refer you. Since this Description of Notes is only a summary, you should refer to the Indenture and the notes, forms of which are available from us, for a complete description of our obligations and your rights.

General

The Notes. The notes:

- are our general unsecured, senior obligations;
- constitute a new series of debt securities issued under the Indenture and will be initially limited to an aggregate principal amount of $350 million;
- mature on March 15, 2014;
- are unconditionally guaranteed by our wholly-owned subsidiary WM Holdings;
- will not be entitled to the benefit of any sinking fund;
- will be issued in denominations of $1,000 and integral multiples of $1,000; and
- will be issued only in book-entry form represented by one or more global notes registered initially in the name of Cede & Co., as nominee of The Depository Trust Company (DTC), or such other name as may be requested by an authorized representative of DTC, and deposited with DTC.

Interest. Interest on the notes will:

- accrue at the rate of 5% per annum;
- accrue from March 5, 2004 or the most recent interest payment date;
- be payable in cash semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2004;
- be payable to holders of record on the March 1 and September 1 immediately preceding the related interest payment dates; and
- be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payment and Transfer.

Beneficial interests in notes in global form will be shown on, and transfers of interests in notes in global form will be made only through, records maintained by DTC and its participants. Notes in definitive form, if any, may be registered, exchanged or transferred at the office or agency maintained by us for such purpose (which initially will be the corporate trust office of the Trustee located at 55 Water Street, Room 234, New York, New York 10041).

Payment of principal of, premium, if any, and interest on notes in global form registered in the name of or held by DTC or its nominee will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global note. If any of the notes are no longer represented by global notes, payment of interest on the notes in definitive form may, at our option, be made at the corporate trust office of the Trustee or by check mailed directly to registered holders at their registered addresses or by wire transfer to an account designated by a registered holder.

No service charge will be made for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith. We are not required to transfer or exchange any note selected for redemption for a period of 15 days before selection of notes to be redeemed.

The registered holder of a note will be treated as the owner of it for all purposes.

Table of Contents

Optional Redemption

The notes will be redeemable, at our option, at any time in whole, or from time to time in part, at a price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest (at the rate in effect on the date of calculation of the redemption price) on the notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Yield plus 15 basis points;

plus, in either case, accrued interest to the date of redemption.

Notes called for redemption become due on the date fixed for redemption. Notices of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the notes to be redeemed at its registered address. The notice of redemption for the notes will state, among other things, the amount of notes to be redeemed, the redemption date, the redemption price and the place(s) that payment will be made upon presentation and surrender of notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on any notes that have been called for redemption at the redemption date. If less than all the notes are redeemed at any time, the Trustee will select the notes to be redeemed on a pro rata basis or by any other method the Trustee deems fair and appropriate.

The factors that we generally consider in determining whether to redeem notes are (1) whether the current rates on new notes would be considerably less than the interest rates on the notes to be redeemed after consideration of any make-whole provision, (2) whether we have excess cash on hand and decide to reduce debt levels and (3) whether we are involved in a substantial merger or acquisition in which it becomes necessary to redeem the notes because of a debt restructuring agreement. However, given the substantial expense we would incur in redeeming the notes due to the calculation of the redemption price described above, we do not believe that we would redeem the notes in the ordinary course of our business. We are currently unaware of any circumstances under which we would redeem the notes.

For purposes of determining the optional redemption price, the following definitions are applicable:

Treasury Yield means, with respect to any redemption date applicable to the notes, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding the redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for the redemption date.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining terms of the notes.

Independent Investment Banker means any of Barclays Capital Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. (and their respective successors), or, if all of such firms are unwilling or unable to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee and reasonably acceptable to us.

Comparable Treasury Price means, with respect to any redemption date, (a) the bid price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) at 4:00 p.m. on the third business day preceding the redemption date, as set forth on Telerate Page 500 (or such other page as may replace Telerate Page 500), or (b) if such page (or any successor page) is not displayed or does not contain such bid prices at such time (i) the average of the Reference Treasury Dealer Quotations obtained by the Trustee for the redemption date, after excluding the highest and lowest of all Reference Treasury

Table of Contents

Dealer Quotations obtained, or (ii) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained by the Trustee.

Reference Treasury Dealer means (i) each of Barclays Capital Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. (and their respective successors), unless any of them ceases to be a primary U.S. government securities dealers in New York City (a Primary Treasury Dealer), in which case we will substitute therefore another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date for the notes, an average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue for the notes (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by the Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Except as set forth above, the notes will not be redeemable by us prior to maturity and will not be entitled to the benefit of any sinking fund.

Defeasance

The notes will be subject to defeasance and discharge and to covenant defeasance as provided under *Description of Debt Securities Provisions Applicable to Both Senior and Subordinated Debt Securities Defeasance and Discharge* in the accompanying prospectus.

Ranking

The notes will be our unsecured and unsubordinated obligations and will rank equally with all of our other existing and future senior unsecured indebtedness.

The Indenture does not limit the amount of debt securities that we may issue. From time to time, we may issue additional debt securities under the Indenture in separate series, each up to the aggregate amount authorized for such series, or we may reopen an existing series of debt securities under the Indenture by issuing further debt securities of the same series with substantially the same terms. See *Further Issuances.*

We currently conduct substantially all our operations through our operating subsidiaries, and those subsidiaries generate substantially all our operating income and cash flow. As a result, distributions or advances from our operating subsidiaries are the principal source of funds necessary to meet our debt service obligations. Contractual provisions or laws, as well as our operating subsidiaries financial condition and operating requirements, may limit our ability to obtain cash from our subsidiaries that we require to pay our debt service obligations, including payments on the notes. The notes will be structurally subordinated to all obligations of our operating subsidiaries, including trade payables and all debt obligations of those subsidiaries, such as our tax-exempt financings. This means that holders of the notes will have a junior position to the claims of creditors of our operating subsidiaries on their assets and earnings. The notes will also be effectively subordinated to any secured debt we may incur, to the extent of the value of the assets securing that debt. The Indenture does not limit the amount of debt our subsidiaries can incur, and it permits us to incur some secured debt. For a description of the limitations on our ability to incur secured debt, see *Description of Debt Securities Provisions Applicable Solely to Senior Debt Securities* in the accompanying prospectus.

As of December 31, 2003, our operating subsidiaries had approximately $2.5 billion of indebtedness and WM Holdings had approximately $1.5 billion of indebtedness (excluding guarantees of $4.2 billion of our senior debt), in each case excluding intercompany loans. As of December 31, 2003, as adjusted to give effect to the issuance of the notes and the application of the net proceeds from the issuance, we would have had an aggregate of $8.5 billion of consolidated indebtedness.

Table of Contents

Guarantee

WM Holdings will guarantee our obligations under the notes. The guarantees will be a general, unsecured obligation of WM Holdings and will rank equally in contractual right of payment with all existing and future unsubordinated indebtedness of WM Holdings. In an attempt to limit the applicability of fraudulent transfer laws, the guarantee agreement limits the amount of the guarantees to the amount that will result in the guarantees not constituting a fraudulent transfer or improper corporate distribution.

The guarantees of the notes shall be binding on WM Holdings, its successors and assigns, and shall continue in full force and effect for the benefit of holders of the notes until the earliest to occur of:

- the consolidation or merger of WM Holdings into Waste Management or its successor;
- the consolidation or merger of Waste Management or its successor into WM Holdings;
- payment in full of all interest and principal due on the notes; or
- the release of the guarantees by WM Holdings of obligations of Waste Management under its credit facilities (or any replacement or new principal credit facility). Our credit facilities currently state that WM Holdings guarantees under the facilities can only be released with the written consent of each of the banks that is a party thereto.

Certain Covenants

Certain covenants in the Indenture limit our ability and the ability of our subsidiaries to:

- create or permit to exist liens; and
- enter into sale and leaseback transactions.

For a description of these covenants, see *Description of Debt Securities Provisions Applicable Solely to Senior Debt Securities* in the accompanying prospectus.

Further Issuances

We may from time to time, without notice or the consent of the registered holders of the notes, create and issue further notes ranking equally and ratably with the notes in all respects (or in all respects except for the payment of interest accruing prior to the issue date of such further notes), so that such further notes shall be consolidated and form a single series with the notes and shall have the same terms as to status, redemption or otherwise as the notes.

Book-Entry System

We will issue the notes in the form of one or more global notes in fully registered form initially in the name of Cede & Co., as nominee of DTC, or such other name as may be requested by an authorized representative of DTC. The global notes will be deposited with DTC and may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any nominee to a successor of DTC or a nominee of such successor. Please read *Description of Debt Securities Book-Entry System* and *Description of Debt Securities Description of the Depositary* in the accompanying prospectus for a description of DTC and DTC s book-entry system.

Neither we, the Trustee nor the underwriters will have any responsibility or obligation to direct participants, or the persons for whom they act as nominees, with respect to the accuracy of the records of DTC, its nominee or any direct participant with respect to any ownership interest in the notes, or payments to, or the providing of notice to direct participants or beneficial owners.

So long as the notes are in DTC s book-entry system, secondary market trading activity in the notes will settle in immediately available funds. All applicable payments on the notes issued as global notes will be made by us in immediately available funds.

Table of Contents

UNDERWRITING

Barclays Capital Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc. are acting as joint book-running managers of the offering and as representatives of the underwriters named below.

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite the underwriter s name.

Underwriter	Principal Amount
Barclays Capital Inc.	$ 93,333,000
Deutsche Bank Securities Inc.	93,333,000
J.P. Morgan Securities Inc.	93,333,000
ABN AMRO Incorporated	11,667,000
BNP Paribas Securities Corp.	11,667,000
PNC Capital Markets, Inc.	11,667,000
Scotia Capital (USA) Inc.	11,667,000
SunTrust Capital Markets, Inc.	11,667,000
Wachovia Capital Markets, LLC	11,666,000
Total	$350,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes.

The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed 0.400% of the principal amount of the notes. The underwriters may allow, and dealers may reallow, a concession not to exceed 0.250% of the principal amount of the notes on sales to other dealers. After the initial offering of the notes to the public, the representatives may change the public offering price and concessions.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

	Paid by Us
Per note	0.650%

In connection with the offering, the representatives, on behalf of the underwriters, may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these

Table of Contents

transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our total expenses for this offering will be $150,000.

We have agreed that we will not offer to sell any of our debt securities (other than the notes, bank borrowings and commercial paper) for a period of 30 days after the date of this prospectus supplement without the prior written consent of the representatives.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Certain of the underwriters or their affiliates have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The Trustee with respect to the notes is an affiliate of J.P. Morgan Securities Inc. The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

Certain of the underwriters will make the securities available for distribution on the Internet through a proprietary web site and/or third-party system operated by Market Axess Inc., an Internet-based communications technology provider. Market Axess Inc. is providing the system as a conduit for communications between the representatives and their respective customers, and is not a party to any transactions. Market Axess Inc., a registered broker-dealer, will receive compensation from the representatives based on transactions they conduct through the system. The representatives will make the securities available for distribution to their respective customers through a proprietary web site and/or Market Axess Inc. on the same terms as distributions made through other channels.

LEGAL MATTERS

Certain legal matters in connection with the notes offered hereby will be passed upon for us by Baker Botts L.L.P., Houston, Texas, and for the underwriters by Vinson & Elkins L.L.P., Houston, Texas. Vinson & Elkins L.L.P. represents us from time to time in matters unrelated to this offering.

EXPERTS

The consolidated financial statements and schedule of Waste Management, Inc. appearing in Waste Management, Inc. s Annual Report on Form 10-K as of December 31, 2003 and for the years ended December 31, 2003 and 2002, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The audited consolidated financial statements of Waste Management, Inc. for the year ended December 31, 2001 appearing in Waste Management, Inc. s Annual Report on Form 10-K for the year ended December 31, 2003 incorporated by reference in this prospectus have been audited by Arthur Andersen LLP, independent public accountants, as set forth in their report. The consent of Arthur Andersen LLP to the inclusion of their report in this prospectus is omitted pursuant to Rule 437a of the Securities Act. Because Arthur Andersen LLP has not consented to the inclusion of their report in this prospectus, you will not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP or any omissions to state a material fact required to be stated therein.

Table of Contents

PROSPECTUS

Waste Management, Inc.

$1,868,070,886

Debt Securities

**(as may be fully and unconditionally guaranteed,
as described herein, by Waste Management Holdings, Inc.)**

Common Stock

We may offer from time to time:

Debt securities, whether or not guaranteed by Waste Management Holdings, Inc.

Shares of our common stock

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

Consider carefully the Risk Factors beginning on page 3.

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

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

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

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 20, 2002.

Table of Contents

WHERE TO FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-3 (Reg. No. 333-97697) with respect to the securities we are offering. This prospectus does not contain all the information contained in the registration statement, including its exhibits and schedules. You should refer to the registration statement, including the exhibits and schedules, for further information about us and the securities we are offering. Statements we make in this prospectus about certain contracts or other documents are not necessarily complete. When we make such statements, we refer you to the copies of the contracts or documents that are filed as exhibits to the registration statement, because those statements are qualified in all respects by reference to those exhibits. The registration statement, including exhibits and schedules, is on file at the offices of the Commission and may be inspected without charge. We file annual, quarterly and current reports, proxy statements and other information with the Commission. Our Commission filings, including the registration statement, are available to the public over the Internet at the Commission s web site at *http://www.sec.gov*. You can also read and copy any document we file at:

the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and

the regional offices of the Commission located at:

500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and

233 Broadway, New York, New York 10279.

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

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

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

Commission Filings (File No. 1-12154)	Period/Date
Annual Report on Form 10-K	Year ended December 31, 2001
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2002, June 30, 2002 and September 30, 2002
Current Reports on Form 8-K	March 22, 2002 and August 13, 2002

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

You may request a copy of these filings at no cost, by writing or telephoning us at the following address:

Waste Management, Inc.

1001 Fannin Street, Suite 4000
Houston, Texas 77002
(713) 512-6200
Attn: Corporate Secretary

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

Table of Contents

OUR COMPANY

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

Our collection services involve picking up and transporting waste from where it was generated to a disposal site. We also operate transfer stations, which are facilities located near residential and commercial collection routes where collection trucks take the solid waste that has been collected. The solid waste is then transferred via transfer trucks or rail to disposal sites. These disposal sites include landfills, which are the main depository for solid waste in North America, as well as waste-to-energy facilities. As of December 31, 2001, we owned or operated 297 solid waste landfills, five hazardous waste landfills and 16 waste-to-energy facilities. The solid waste landfills are where non-hazardous waste is deposited. We use state-of-the-art liners, leachate collection, ground water monitoring and gas control systems at our landfills designed to protect the environment. All of our landfills are designed and operated under highly regulated and prescribed procedures. Our hazardous waste landfills are secure sites that have been permitted by the federal government. Generally, only hazardous waste in a stable, solid form can be deposited into our hazardous waste landfills. However, hazardous waste can sometimes be treated before disposal. We operate a hazardous waste facility at which it isolates treated hazardous wastes in liquid form by injection into deep wells that have been drilled into rock formation far below the base of fresh water to a point that is separated by other geological confining layers. Our waste-to-energy facilities are where solid waste is burned to produce steam that is used to generate electricity. In addition to disposing of waste, we offer recycling services, which involve the removal of reusable materials from the waste stream for processing or resale.

We also operate methane gas recovery projects at some of our landfills, where we collect the methane gas that is generated at the landfill by decomposing waste and process it for sale to be used primarily to fuel power electricity generators. We also rent and service portable toilet facilities, provide street sweeping services, and provide full service waste services at customers industrial plants, known as in-plant services. Finally, we own and operate independent power production plants that cogenerate electricity for sale to customers.

Our total revenues were $13.1 billion, $12.5 billion and $11.3 billion for the years ended December 31, 1999, 2000 and 2001, respectively. Our net (loss) income for the years ended December 31, 1999, 2000 and 2001 was $(398) million, $(97) million and $503 million, respectively. Our revenues and net income for the nine months ended September 30, 2002 were $8.3 billion and $586 million, respectively.

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

We recorded $1 million and $38 million of pre-tax charges for costs associate with the implementation of the new structure for the three and nine months ended September 30, 2002, respectively. These charges include $36 million for employee severance and benefit costs and $2 million related to abandoned operating lease agreements. We expect to incur approximately $3 million of additional restructuring expenses in the last quarter of 2002 primarily related to the relocation of employees and the consolidation of facilities to support the new organizational structure.

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

Table of Contents

RISK FACTORS

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

Risks Relating to Our Business

We could be liable for environmental damages resulting from our operations

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

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

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

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

The adverse outcome of one or more of these proceedings could result in, among other things, material increases in our liabilities.

From time to time, we have received citations or notices from governmental authorities that our operations are not in compliance with our permits or certain applicable environmental or land use laws and regulations. In the future we may receive additional citations or notices. We generally seek to work with the authorities to resolve the issues raised by such citations or notices. If we are not successful in such resolutions, we may incur fines, penalties or other sanctions that could result in material unanticipated costs or liabilities.

Our insurance for environmental liability meets or exceeds statutory requirements. However, because we believe that the cost for such insurance is high relative to the coverage it would provide, our coverages are generally maintained at statutorily required levels. We face the risk of incurring liabilities for environmental damage if our insurance coverage is ultimately inadequate to cover those damages.

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

Governmental regulations may restrict our operations or increase our costs of operations

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

- limitations on the siting and construction of new waste disposal, transfer or processing facilities or the expansion of existing facilities;
- limitations and regulations on collection and disposal prices, rates and volumes;
- limitations or bans on disposal or transportation of out-of-state waste or certain categories of waste; or
- mandates regarding the disposal of solid waste.

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

In order to develop, expand or operate a landfill or other waste management facility, we must have various facility permits and other governmental approvals, including those relating to zoning, environmental protection and land use.

Our accounting policies concerning unamortized capitalized expenditures could result in a material charge against our earnings

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

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

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

Our business is seasonal in nature and our revenues and results vary from quarter to quarter

Our operating revenues are usually lower in the winter months, primarily because the volume of waste relating to construction and demolition activities usually increases in the spring and summer months, and

Table of Contents

the volume of industrial and residential waste in certain regions where we operate usually decreases during the winter months. Our first and fourth quarter results of operations typically reflect this seasonality. In addition, particularly harsh weather conditions may result in the temporary suspension of certain of our operations.

Fluctuations in commodity prices affect our operating revenues

Our recycling operations process for sale certain recyclable materials, including fibers, plastics, aluminum and glass, all of which are subject to significant price fluctuations. The majority of the recyclables that we process for sale are fibers, including old corrugated cardboard, or OCC, and old newsprint, or ONP. In the past two years, the year over year changes in the quarterly average market prices for OCC ranged from a decrease of as much as 63% to an increase of as much as 109%. The same comparisons for ONP have ranged from a decrease of as much as 46% to an increase of as much as 47%. These fluctuations can affect future operating income and cash flows; for example, our operating revenues for the year ended December 31, 2001 were approximately $161 million less than the corresponding prior period due to such declines.

Additionally, there may be significant price fluctuations in the price of methane gas, electricity and other energy related products that are marketed and sold by our landfill gas recovery, waste-to-energy and independent power production plants operations. Our landfill gas recovery and waste-to-energy operations generally enter into long-term sales agreements. Therefore, market fluctuations do not have a significant effect on these operations. However, our independent power production plants revenues can be effected; in the past two years, the year over year changes in the average quarterly electricity prices have ranged from increases of as much as 50% to decreases of as much as 44%. For the three and nine months ended September 30, 2002, our revenues decreased by $2 million and $35 million, respectively, due to lower electricity prices.

We face uncertainties relating to pending litigation and investigations

On three different occasions during July and August 1999, we lowered our expected earnings per share for the three months ended June 30, 1999. More than 30 lawsuits that claim to be based on our 1999 announcements have been filed against us and some of our current and former officers and directors. These lawsuits, which have been consolidated into one action, assert various claims alleging we violated anti-fraud provisions of the federal securities laws by making false or misleading statements or by not making statements that were necessary in order to not mislead investors. The plaintiffs also claim that certain of our current and former officers and directors sold their common stock during times when they knew the price of our common stock was artificially inflated by the alleged misstatements and omissions.

On November 7, 2001, we announced that we had reached a settlement agreement with the plaintiffs in this case, resolving all claims against us as well as claims against our current and former officers and directors. The agreement provides for a payment of $457 million to members of the class and for us to consent to the certification of a class for the settlement of purchasers or acquirers of our securities from June 11, 1998 through November 9, 1999. Additionally, as part of the settlement agreement, in May 2002 our stockholders approved an amendment to our certificate of incorporation so that all of our directors are elected annually. A hearing was held April 29, 2002 at which the settlement was approved. The settlement approval is still subject to any appeals that may be filed within thirty days of the approval becoming final. There is currently a motion to vacate pending before the court, and the appeal period will begin to run once that motion has been decided. If the motion to vacate is granted, or the plaintiff files an appeal, we may have to defend our self in further litigation. If the settlement is subsequently overturned or if the settlement agreement is terminated, depending on the outcome of later settlement negotiations or litigation, we may be obligated to pay more than under the current settlement agreement. Additionally, any further litigation or settlement negotiations could divert management s attention and result in additional expenses.

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

We and some of our subsidiaries are also currently involved in other civil litigation and governmental proceedings relating to the conduct of our business. The timing of the final resolutions to these matters is uncertain. Additionally, the possible outcomes or resolutions to these matters could include judgments against us or settlements, either of which could require substantial payments by us, adversely affecting our liquidity and our ability to meet our obligations.

Intense competition could reduce our profitability

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

Efforts by labor unions to organize our employees could divert management attention and increase our operating expenses

Labor unions constantly make attempts to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees have chosen to be represented by unions, and we have negotiated collective bargaining agreements with some of the groups. Additional groups of employees may seek union representation in the future and the negotiation of collective bargaining agreements could divert management attention and result in increased operating expenses and lower net income. If we are unable to negotiate acceptable collective bargaining agreements, we might have to wait through cooling off periods, which are often followed by union-initiated work stoppages, including strikes. Depending on the type and duration of such work stoppages, our operating expenses could increase significantly, which could adversely affect our financial condition, results of operations and cash flows.

Fluctuations in fuel costs could affect our operating expenses and results

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

We face risks relating to general economic conditions

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

We may need additional capital

We currently expect to meet our anticipated cash needs for capital expenditures, acquisitions and other cash expenditures with our cash flows from operations and, to the extent necessary, additional financings. However, we currently have a stock buy back program pursuant to which we anticipate buying back up to $1 billion of our common stock annually, we expect to pay $230 to $240 million (net of a tax benefit, insurance and related settlement costs) in settlement of the class action lawsuit in the first half of 2003 and have approximately $350 million of debt maturities remaining in the fourth quarter of 2002. If our cash flows from operations are less than is currently expected, or our capital expenditures increase, we may elect to incur even more indebtedness. However, there can be no assurances that we will be able to obtain additional financings on acceptable terms. In these circumstances, our strategy is to use our revolving credit facilities to meet our cash needs.

Our credit facilities require us to comply with certain financial ratios. However, if our cash flows are less than expected, our capital requirements are more than expected or we incur additional indebtedness, we may not be in compliance with the ratios. This would result in a default under our credit facilities. If we were unable to obtain waivers or amendments to the credit facilities, the lenders could choose to declare all outstanding borrowings immediately due and payable, which we may not be able to pay in full. The default under or unavailability of our credit agreements could have a material adverse effect on our ability to meet our borrowing and bonding needs.

We may encounter difficulties with our enterprise software

We have recently deployed enterprise-wide software systems that replaced our previous financial, human resources and payroll systems and are in the process of deploying new revenue management and accounts receivable systems. These systems may contain errors or cause other problems that could adversely affect, or even temporarily disrupt, all or a portion of our operations until resolved.

Risks Relating to an Investment in Common Stock

Potential effect of certain anti-takeover provisions

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

Risks Relating to an Investment in Debt Securities

Any debt securities we issue will generally not be guaranteed by our operating subsidiaries

As a holding company, we conduct our operations through our 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 any of our debt securities, 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 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

Table of Contents

limitations, applicable provisions of the laws of national or state governments and contractual provisions. 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.

We have substantial indebtedness

We have substantial indebtedness. At September 30, 2002, our ratio of total debt to total capitalization was approximately 61% and our total consolidated indebtedness as of September 30, 2002 was approximately $8.5 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 September 30, 2002 was approximately $466 million. A 1% increase in interest rates would increase our forecasted interest expense for 2002 by approximately 5.5%, or $26 million. Such an increase would cause our coverage ratio, which is one of our debt covenants and is calculated as consolidated net income plus interest and income taxes over interest expense, to decrease from 3.44 to 1 to 3.27 to 1 as of September 30, 2002. 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 could affect our compliance with our debt covenants, liquidity and ability to service our debt, including making payments on any debt securities issued hereunder.

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 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 would exacerbate any risks associated with our liquidity.

Fraudulent transfer statutes may limit your rights under guarantees of the debt securities

Our obligations under the debt securities may be guaranteed by Waste Management Holdings, our wholly owned subsidiary. The guarantees may be subject to review under various laws for the protection of creditors. It is possible that the creditors of Waste Management Holdings may challenge the guarantees as fraudulent transfers under relevant federal and state laws. Under certain circumstances, including a finding that Waste Management Holdings was insolvent at the time its guarantees were issued, a court could hold that the obligations of Waste Management Holdings under the guarantees may be voided or are subordinate to other obligations of Waste Management Holdings or that the amount for which Waste Management Holdings is liable under its guarantees of the debt securities may be limited. If a court determined that Waste Management Holdings was insolvent on the date any guarantee is issued, or that the guarantees constituted fraudulent transfers on another ground, the claims of creditors of Waste Management Holdings would effectively have priority with respect to Waste Management Holdings assets and earnings over the claims of our creditors, including the holders of debt securities we may issue.

You may not be able to sell the debt securities

There will be no active trading market for the debt securities we issue, and a market may never develop. If any of debt securities are traded after their initial issuance, they may trade at a discount from their initial offering price. Factors that could cause debt securities to trade at a discount are:

- increases in then prevailing interest rates;
- declines in our credit worthiness;
- weakness in the markets for similar securities; and
- declining general economic conditions.

FORWARD-LOOKING STATEMENTS

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