



2015 ANNUAL REPORT



Proxy Statement



1001 Fannin Street
Houston, Texas 77002

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
OF WASTE MANAGEMENT, INC.**

Date and Time:

May 12, 2016 at 11:00 a.m., Central Time

Place:

The Maury Myers Conference Center
Waste Management, Inc.
1021 Main Street
Houston, Texas 77002

Purpose:

- To elect ten directors;
- To vote on a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;
- To vote on a proposal to approve our executive compensation;
- To vote on a stockholder proposal regarding a policy on acceleration of vesting of equity awards in the event of a change in control, if properly presented at the meeting; and
- To conduct other business that is properly raised at the meeting.

Only stockholders of record on March 15, 2016 may vote at the meeting.

Your vote is important. We urge you to promptly vote your shares by telephone, by the Internet or, if this Proxy Statement was mailed to you, by completing, signing, dating and returning your proxy card as soon as possible in the enclosed postage prepaid envelope.

COURTNEY A. TIPPY
Corporate Secretary

March 25, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 12, 2016: This Notice of Annual Meeting and Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2015 are available at www.wm.com.

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PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
WASTE MANAGEMENT, INC.
1001 Fannin Street
Houston, Texas 77002

Our Board of Directors is soliciting your proxy for the 2016 Annual Meeting of Stockholders and at any postponement or adjournment of the meeting. We are furnishing proxy materials to our stockholders primarily via the Internet. On March 25, 2016, we sent an electronic notice of how to access our proxy materials, including our Annual Report, to stockholders that have previously signed up to receive their proxy materials via the Internet. On March 25, 2016, we began mailing a Notice of Internet Availability of Proxy Materials to those stockholders that previously have not signed up for electronic delivery. The Notice contains instructions on how stockholders can access our proxy materials on the website referred to in the Notice or request that a printed set of the proxy materials be sent to them. Internet distribution of our proxy materials is designed to expedite receipt by stockholders, lower the costs of the annual meeting, and conserve natural resources.

Record Date	March 15, 2016.
Quorum	A majority of shares outstanding on the record date must be present in person or by proxy.
Shares Outstanding	There were 444,639,871 shares of Common Stock outstanding and entitled to vote as of March 15, 2016.
Voting by Proxy	Internet, phone, or mail.
Voting at the Meeting	Stockholders can vote in person during the meeting. Stockholders of record will be on a list held by the inspector of elections. Beneficial holders must obtain a proxy from their brokerage firm, bank, or other stockholder of record and present it to the inspector of elections with their ballot. Voting in person by a stockholder will replace any previous votes submitted by proxy.
Changing Your Vote	Stockholders of record may revoke their proxy at any time before we vote it at the meeting by submitting a later-dated proxy via the Internet, by telephone, by mail, by delivering instructions to our Corporate Secretary before the annual meeting revoking the proxy or by voting in person at the annual meeting. If you hold shares through a bank or brokerage firm, you may revoke any prior voting instructions by contacting that firm.
Votes Required to Adopt Proposals	Each share of our Common Stock outstanding on the record date is entitled to one vote on each of the ten director nominees and one vote on each other matter. To be elected, a director must receive a majority of the votes cast with respect to that director at the meeting. This means that the number of shares voted "for" a director must exceed 50% of the votes cast with respect to that director. Each of the other proposals requires the favorable vote of a majority of the shares present, either by proxy or in person, and entitled to vote.
Effect of Abstentions and Broker Non-Votes	Abstentions will have no effect on the election of directors. For each of the other proposals, abstentions will have the same effect as a vote <i>against</i> these matters because they are considered present and entitled to vote.

If your shares are held by a broker, the broker will ask you how you want your shares to be voted. If you give the broker instructions, your shares must be voted as you direct. If you do not give instructions, one of two things can happen depending on the type of proposal. For the proposal to ratify selection of the Company's independent registered public accounting firm, the broker may vote your shares at its discretion. But for all other proposals in this Proxy Statement, including the election of directors, the advisory vote on executive compensation, and the stockholder proposal, the broker cannot vote your shares at all. When that happens, it is called a "broker non-vote." Broker non-votes are counted in determining the presence of a quorum at the meeting, but they are not counted for purposes of calculating the shares present and entitled to vote on particular proposals at the meeting.

Voting Instructions

You may receive more than one proxy card depending on how you hold your shares. If you hold shares through a broker, your ability to vote by phone or over the Internet depends on your broker's voting process. You should complete and return each proxy or other voting instruction request provided to you.

If you complete and submit your proxy voting instructions, the persons named as proxies will follow your instructions. If you submit your proxy but do not give voting instructions, we will vote your shares as follows:

- *FOR* our director candidates;
- *FOR* the ratification of the independent registered public accounting firm;
- *FOR* approval of our executive compensation; and
- *AGAINST* the stockholder proposal regarding a policy on acceleration of vesting of equity awards in the event of a change in control.

If you give us your proxy, any other matters that may properly come before the meeting will be voted at the discretion of the proxy holders.

Attending in Person

Only stockholders, their proxy holders and our invited guests may attend the meeting. If you plan to attend, please bring identification and, if you hold shares in street name, bring your bank or broker statement showing your beneficial ownership of Waste Management stock in order to be admitted to the meeting. If you are planning to attend our annual meeting and require directions to the meeting, please contact our Corporate Secretary at 713-512-6200.

The only items that will be discussed at this year's annual meeting will be the items set out in the Notice. There will be no presentations.

Stockholder Proposals and Nominees for the 2017 Annual Meeting

Eligible stockholders who wish to submit a proposal for inclusion in the Proxy Statement for our 2017 Annual Meeting should notify our

Corporate Secretary at Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002. The written proposal must be received at our offices on or before November 26, 2016, and the stockholder must have been the registered or beneficial owner of (a) at least 1% of our outstanding Common Stock or (b) shares of our Common Stock with a market value of \$2,000 for at least one year before submitting the proposal. The proposal must comply with the requirements set forth in the federal securities laws, including Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), in order to be included in the Company’s proxy statement and proxy card for the 2017 Annual Meeting.

In addition, the Company’s By-laws establish an advance notice procedure with regard to certain matters to be brought before an annual meeting of stockholders, including stockholder proposals that are not included in the Company’s proxy materials and nominations of persons for election as directors. In accordance with our By-laws, for a proposal or nominee not included in our proxy materials to be properly brought before the 2017 Annual Meeting, a stockholder’s notice must be delivered to or mailed and received by the Company not less than 120 days nor more than 150 days in advance of the first anniversary of the 2016 Annual Meeting. As a result, any such stockholder’s notice for the 2017 Annual Meeting shall be received no earlier than December 13, 2016 and no later than January 12, 2017 and must contain certain information specified in the Company’s By-laws. The stockholder’s notice should be delivered to our Corporate Secretary at Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002. A copy of our By-laws may be obtained free of charge by writing to our Corporate Secretary and is available on the “Corporate Governance” section of the “Investor Relations” page on our website at www.wm.com.

Expenses of Solicitation

We pay the cost of preparing, assembling and mailing this proxy-soliciting material. In addition to the use of the mail, proxies may be solicited personally, by Internet or telephone, or by Waste Management officers and employees without additional compensation. We pay all costs of solicitation, including certain expenses of brokers and nominees who mail proxy materials to their customers or principals. Also, Innisfree M&A Incorporated has been hired to help in the solicitation of proxies for the 2016 Annual Meeting for a fee of approximately \$15,000 plus associated costs and expenses.

Annual Report

A copy of our Annual Report on Form 10-K for the year ended December 31, 2015, which includes our financial statements for fiscal year 2015, is included with this Proxy Statement. The Annual Report on Form 10-K is not incorporated by reference into this Proxy Statement or deemed to be a part of the materials for the solicitation of proxies.

Householding Information

We have adopted a procedure approved by the SEC called “householding.” Under this procedure, stockholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of

the Proxy Statement and Annual Report unless we are notified that one or more of these individuals wishes to receive separate copies. This procedure helps reduce our printing costs and postage fees.

If you wish to receive a separate copy of this Proxy Statement and the Annual Report, please contact: Waste Management, Inc., Corporate Secretary, 1001 Fannin Street, Houston, Texas 77002, telephone 713-512-6200.

If you do not wish to participate in householding in the future, and prefer to receive separate copies of the proxy materials, please contact: Broadridge Financial Solutions, Attention Householding Department, 51 Mercedes Way, Edgewood, NY 11717, telephone 1-800-542-1061. If you are currently receiving multiple copies of proxy materials and wish to receive only one copy for your household, please contact Broadridge.

BOARD OF DIRECTORS

Our Board of Directors currently has ten members. Each member of our Board is elected annually. Mr. Reum is the Non-Executive Chairman of the Board and presides over all meetings of the Board, including executive sessions that only non-employee directors attend.

Stockholders and interested parties wishing to communicate with the Board or the non-employee directors should address their communications to Mr. W. Robert Reum, Non-Executive Chairman of the Board, c/o Waste Management, Inc., P.O. Box 53569, Houston, Texas 77052-3569.

Leadership Structure

We separated the roles of Chairman of the Board and Chief Executive Officer at our Company in 2004. We believe that having a Non-Executive Chairman of the Board is in the best interests of the Company and stockholders, due in part to the ever-increasing demands made on boards of directors under federal securities laws, national stock exchange rules and other federal and state regulations. The Non-Executive Chairman's responsibilities include leading full Board meetings and executive sessions and managing the Board function. The Board named Mr. Reum Chairman of the Board effective January 1, 2012, due to his tenure with, and experience and understanding of, the Company, as well as his experience on public company boards of directors.

The separation of the positions allows Mr. Reum to focus on management of Board matters and allows our Chief Executive Officer to focus his attention on managing our business. Additionally, we believe the separation of those roles contributes to the independence of the Board in its oversight role and in assessing the Chief Executive Officer and management generally.

Role in Risk Oversight

Our executive officers have the primary responsibility for risk management within our Company. Our Board of Directors oversees risk management to ensure that the processes designed and implemented by our executives are adapted to and integrated with the Company's strategy and functioning as directed. The primary means by which the Board oversees our risk management structures and policies is through its regular communications with management and our enterprise risk management process. The Company believes that its leadership structure is conducive to comprehensive risk management practices and that the Board's involvement is appropriate to ensure effective oversight.

The Company has an enterprise risk management, or ERM, process that is coordinated by an ERM Committee consisting of our Chief Financial Officer, Chief Operating Officer, Chief Legal Officer and head of Internal Audit. The ERM process begins with identification of the Company's programs and processes related to risk management and the individuals responsible for them through use of a risk assessment conducted by Internal Audit. The risk assessment identifies perceived risks to the Company, with follow-up interviews with members of senior management to review any gaps between their and their direct reports' responses.

For 2016, we interviewed the Company's Senior Leadership team and additional members of senior management to capture their insight on the strategic risks that could affect our ability to execute against our strategy, as well as the more long-term risk landscape and the potential effect of such risks on the viability of the business. As a result of this process, we have grouped our risk focus across the following areas:

- Environmental and Regulatory Developments;
- Information Security and Technology;
- Safety;
- People Management; and
- Operational Risk Management.

The ERM program and process continue to evolve with enhancements made annually. Board members are polled to collect their thoughts on significant risks facing the Company and how the reporting format should be

revised to improve management's communication of enterprise risks to the Board. We assign champions across the aforementioned areas that will work with the ERM Committee to establish a more comprehensive risk mitigation strategy. In addition, external stakeholders will continue to be interviewed to gather their views on risks that they perceive could have a significant impact on the Company or the industry. The ERM Committee will review the assessment of the risks in each area and the proposed mitigation strategy and determine what adjustments, additions, or changes are appropriate.

The Board of Directors generally meets seven times a year, five times in person, including one meeting that is dedicated specifically to strategic planning, and regular updates are given to the Board of Directors on all Company risks. At each of these meetings, our President and Chief Executive Officer; Chief Financial Officer; and Chief Legal Officer are asked to report to the Board and, when appropriate, specific committees. Additionally, other members of management and employees are requested to attend meetings and present information, including those responsible for our Internal Audit, Environmental Audit, Business Ethics and Compliance, Human Resources, Government Affairs, Information Technology, Risk Management, Safety and Accounting functions.

One of the purposes of these presentations is to provide direct communication between members of the Board and members of management. The presentations provide members of the Board with the information necessary to understand the risk profile of the Company, including information regarding the specific risk environment, exposures affecting the Company's operations and the Company's plans to address such risks. In addition to information regarding general updates to the Company's operational and financial condition, management reports to the Board on a number of specific issues meant to inform the Board about the Company's outlook and forecasts, and any impediments to meeting those or its pre-defined strategies generally. These direct communications between management and the Board of Directors allow the Board to assess management's evaluation and management of the risks of the Company.

Management is encouraged to communicate with the Board of Directors with respect to extraordinary risk issues or developments that may require more immediate attention between regularly scheduled Board meetings. Mr. Reum, as Non-Executive Chairman, facilitates communications with the Board of Directors as a whole and is integral in initiating the discussions among the independent Board members necessary to ensure management is adequately evaluating and managing the Company's risks. These intra-Board communications are essential to the Board's oversight function. Additionally, all members of the Board are invited to attend all committee meetings, regardless of whether the individual sits on the specific committee, and committee chairs report to the full Board. These practices ensure that all issues affecting the Company are considered in relation to each other; and by doing so, risks that affect one aspect of our Company can be taken into consideration when evaluating other risks.

In addition, the Audit Committee is responsible for ensuring that an effective risk assessment process is in place, and quarterly reports are made to the Audit Committee on all financial and compliance risks in accordance with New York Stock Exchange requirements.

Independence of Board Members

The Board of Directors has determined that each of the following nine non-employee director candidates is independent in accordance with the New York Stock Exchange listing standards:

Bradbury H. Anderson
Frank M. Clark, Jr.
Andrés R. Gluski
Patrick W. Gross
Victoria M. Holt
Kathleen M. Mazzarella
John C. Pope
W. Robert Reum
Thomas H. Weidemeyer

Mr. Steiner is an employee of the Company and, as such, is not considered an “independent” director.

To assist the Board in determining independence, the Board of Directors adopted categorical standards of director independence, which meet or exceed the requirements of the New York Stock Exchange. These standards specify certain relationships that are prohibited in order for the non-employee director to be deemed independent. The categorical standards our Board uses in determining independence are included in our Corporate Governance Guidelines, which can be found on our website. In addition to these categorical standards, our Board makes a subjective determination of independence considering relevant facts and circumstances.

The Board reviewed all commercial and non-profit affiliations of each non-employee director and the dollar amount of all transactions between the Company and each entity with which a non-employee director is affiliated to determine independence. These transactions consisted of the Company, through its subsidiaries, providing waste management services in the ordinary course of business and the Company’s subsidiaries purchasing goods and services in the ordinary course of business and included commercial dealings with Graybar Electric Company, Inc., The AES Corporation, Amsted Industries Incorporated and Proto Labs, Inc. Ms. Mazzarella, Mr. Gluski, Mr. Reum and Ms. Holt, respectively, are the chief executive officer of these entities. The Board concluded there are no transactions between the Company and any entity with which a non-employee director is affiliated that (a) are prohibited by our categorical standards of independence, (b) are material individually or in the aggregate, or (c) in which any of the Company’s non-employee directors have or had a material direct or indirect interest. Accordingly, the Board has determined that each non-employee director candidate meets the categorical standards of independence and that there are no relationships that would affect independence.

Meetings and Board Committees

Last year the Board held seven meetings and each committee of the Board met independently as set forth below. Each director attended at least 75% of the meetings of the Board and the committees on which he or she served. In addition, all directors attended the 2015 Annual Meeting of Stockholders. Although we do not have a formal policy regarding director attendance at annual meetings, it has been longstanding practice that all directors attend unless there are unavoidable schedule conflicts or unforeseen circumstances.

The Board appoints committees to help carry out its duties. Committee members take on greater responsibility for key issues, although all members of the Board are invited to attend all committee meetings and the committee reviews the results of its meetings with the full Board. The Board has three separate standing committees: the Audit Committee; the Management Development and Compensation Committee (the “MD&C Committee”); and the Nominating and Governance Committee. Additionally, the Board has the power to appoint additional committees, as it deems necessary. In 2006, the Board appointed a Special Committee, as described below.

The Audit Committee

Mr. Gross has been the Chairman of our Audit Committee since May 2010. The other members of our Audit Committee are Ms. Holt and Messrs. Clark, Gluski, Reum and Weidemeyer. Each member of our Audit Committee satisfies the additional New York Stock Exchange independence standards for audit committees set forth in Section 10A of the Exchange Act. Our Audit Committee held nine meetings in 2015.

Our Board of Directors has determined that Mr. Gross and each of Ms. Holt and Messrs. Clark, Gluski and Reum are audit committee financial experts as defined by the SEC based on a thorough review of their education and financial and public company experience.

Mr. Gross was a founder of American Management Systems where he was principal executive officer for over 30 years. Since 2001, he has served as Chairman of The Lovell Group, a private investment and advisory firm. Mr. Gross holds an MBA from the Stanford University Graduate School of Business, a master’s degree in engineering science from the University of Michigan and a bachelor’s degree in engineering science from Rensselaer Polytechnic Institute.

Ms. Holt has served as President and Chief Executive Officer of Proto Labs, Inc. since February 2014 and was President and Chief Executive of Spartech Corporation from September 2010 to March 2013. Prior to

joining Spartech, she served as Senior Vice President of PPG Industries for over five years. Ms. Holt holds an MBA from Pace University and a bachelor's degree in chemistry from Duke University.

Mr. Clark served as Chairman and Chief Executive Officer of ComEd from November 2005 to February 2012 and President of ComEd from 2001 to 2005. Mr. Clark holds an LLB from DePaul University College of Law and a BBA from DePaul University.

Mr. Gluski has served as President and Chief Executive Officer of The AES Corporation since 2011 and was Executive Vice President and Chief Operating Officer of The AES Corporation from 2007 to 2011. Mr. Gluski is a graduate of Wake Forest University and holds an MA and PhD in Economics from the University of Virginia.

Mr. Reum has served as Chairman, President and Chief Executive Officer of Amsted Industries Incorporated since March 2001. He also served as Chairman, President and CEO of a public diversified metal products company for many years. Mr. Reum holds an MBA from Harvard University, a JD from The University of Michigan Law School and a bachelor's degree from Yale University.

The Audit Committee's duties are set forth in a written charter that was approved by the Board of Directors. A copy of the charter can be found on our website. The Audit Committee generally is responsible for overseeing all matters relating to our financial statements and reporting, internal audit function and independent auditors. As part of its function, the Audit Committee reports the results of all of its reviews to the full Board. In fulfilling its duties, the Audit Committee, has the following responsibilities:

Administrative Responsibilities

- Report to the Board, at least annually, all public company audit committee memberships by members of the Audit Committee;
- Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board; and
- Adopt an orientation program for new Audit Committee members.

Independent Auditor

- Engage an independent auditor, determine the auditor's compensation and replace the auditor if necessary;
- Review the independence of the independent auditor and establish our policies for hiring current or former employees of the independent auditor;
- Evaluate the lead partner of our independent audit team and review a report, at least annually, describing the independent auditor's internal control procedures; and
- Pre-approve all services, including non-audit engagements, provided by the independent auditor.

Internal Audit

- Review the plans, staffing, reports and activities of the internal auditors; and
- Review and establish procedures for receiving, retaining and handling complaints, including anonymous complaints by our employees, regarding accounting, internal controls and auditing matters.

Financial Statements

- Review financial statements and Forms 10-K and 10-Q with management and the independent auditor;
- Review all earnings press releases and discuss with management the type of earnings guidance that we provide to analysts and rating agencies;

- Discuss with the independent auditor any material changes to our accounting principles and matters required to be communicated by Public Company Accounting Oversight Board (United States) Auditing Standard No. 16 *Communications with Audit Committees*;
- Review our financial reporting, accounting and auditing practices with management, the independent auditor and our internal auditors;
- Review management's and the independent auditor's assessment of the adequacy and effectiveness of internal controls over financial reporting; and
- Review executive officer certifications related to our reports and filings.

Audit Committee Report

The role of the Audit Committee is, among other things, to oversee the Company's financial reporting process on behalf of the Board of Directors, to recommend to the Board whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K and to select the independent auditor for ratification by stockholders. Company management is responsible for the Company's financial statements as well as for its financial reporting process, accounting principles and internal controls. The Company's independent auditors are responsible for performing an audit of the Company's financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States.

The Audit Committee has reviewed and discussed the Company's audited financial statements as of and for the year ended December 31, 2015 with management and the independent registered public accounting firm, and has taken the following steps in making its recommendation that the Company's financial statements be included in its annual report:

- First, the Audit Committee discussed with Ernst & Young, the Company's independent registered public accounting firm for fiscal year 2015, those matters required to be discussed by Public Company Accounting Oversight Board (United States) Auditing Standard No. 16 *Communications with Audit Committees*, including information regarding the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process.
- Second, the Audit Committee discussed with Ernst & Young its independence and received from Ernst & Young a letter concerning independence as required under applicable independence standards for auditors of public companies. This discussion and disclosure helped the Audit Committee in evaluating such independence. The Audit Committee also considered whether the provision of other non-audit services to the Company is compatible with the auditor's independence.
- Third, the Audit Committee met periodically with members of management, the internal auditors and Ernst & Young to review and discuss internal controls over financial reporting. Further, the Audit Committee reviewed and discussed management's report on internal control over financial reporting as of December 31, 2015, as well as Ernst & Young's report regarding the effectiveness of internal control over financial reporting.
- Finally, the Audit Committee reviewed and discussed, with the Company's management and Ernst & Young, the Company's audited consolidated balance sheet as of December 31, 2015, and consolidated statements of operations, comprehensive income, cash flows and equity for the fiscal year ended December 31, 2015, including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosure.

The Committee has also discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans of their respective audits. The Committee meets periodically with both the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls over financial reporting.

The members of the Audit Committee are not engaged in the accounting or auditing profession and, consequently, are not experts in matters involving auditing or accounting. In the performance of their oversight function, the members of the Audit Committee necessarily relied upon the information, opinions, reports and statements presented to them by Company management and by the independent registered public accounting firm.

Based on the reviews and discussions explained above (and without other independent verification), the Audit Committee recommended to the Board (and the Board approved) that the Company's financial statements be included in its annual report for its fiscal year ended December 31, 2015. The Committee has also approved the selection of Ernst & Young as the Company's independent registered public accounting firm for fiscal year 2016.

The Audit Committee of the Board of Directors

Patrick W. Gross, *Chairman*

Frank M. Clark, Jr.

Andrés R. Gluski

Victoria M. Holt

W. Robert Reum

Thomas H. Weidemeyer

The Management Development and Compensation Committee

Mr. Clark has served as the Chairman of our MD&C Committee since May 2011. The other members of the Committee are Ms. Holt, Ms. Mazzarella and Messrs. Anderson, Gluski, Pope and Reum. Each member of our MD&C Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. The MD&C Committee met five times in 2015.

Our MD&C Committee is responsible for overseeing all of our executive officer compensation, as well as developing the Company's compensation philosophy generally. The MD&C Committee's written charter, which was approved by the Board of Directors, can be found on our website. In fulfilling its duties, the MD&C Committee has the following responsibilities:

- Review and establish policies governing the compensation and benefits of all of our executives;
- Approve the compensation of our executive officers and senior leadership team and set the bonus plan goals for those individuals;
- Conduct an annual evaluation of our Chief Executive Officer by all independent directors to set his compensation;
- Oversee the administration of all of our equity-based incentive plans;
- Review the results of the stockholder advisory vote on executive compensation and consider any implications of such voting results on the Company's compensation programs;
- Recommend to the full Board new Company compensation and benefit plans or changes to our existing plans;
- Evaluate and recommend to the Board the compensation paid to our non-employee directors;
- Review the independence of the MD&C Committee's compensation consultant annually; and
- Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board.

In overseeing compensation matters, the MD&C Committee may delegate authority for day-to-day administration and interpretation of the Company's plans, including selection of participants, determination of award levels within plan parameters, and approval of award documents, to Company employees. However, the MD&C Committee may not delegate any authority under those plans for matters affecting the compensation and

benefits of the executive officers. For additional information on the MD&C Committee, see the *Compensation Discussion and Analysis* beginning on page 24.

Compensation Committee Report

The MD&C Committee has reviewed and discussed the *Compensation Discussion and Analysis*, beginning on page 24, with management. Based on the review and discussions, the MD&C Committee recommended to the Board of Directors that the *Compensation Discussion and Analysis* be included in the Company's Proxy Statement.

The Management Development and Compensation
Committee of the Board of Directors

Frank M. Clark, Jr., *Chairman*
Bradbury H. Anderson
Andrés R. Gluski
Victoria M. Holt
Kathleen M. Mazzarella
John C. Pope
W. Robert Reum

Compensation Committee Interlocks and Insider Participation

During 2015, Ms. Holt, Ms. Mazzarella and Messrs. Anderson, Clark, Gluski, Pope and Reum served on the MD&C Committee. No member of the MD&C Committee was an officer or employee of the Company during 2015; no member of the MD&C Committee is a former officer of the Company; and during 2015, none of our executive officers served as a member of a board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board of Directors or MD&C Committee.

The Nominating and Governance Committee

Mr. Weidemeyer has served as the Chairman of our Nominating and Governance Committee since May 2011. The other members of the Committee include Ms. Mazzarella and Messrs. Anderson, Gross, Pope and Reum. Each member of our Nominating and Governance Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. In 2015, the Nominating and Governance Committee met five times.

The Nominating and Governance Committee has a written charter that has been approved by the Board of Directors and can be found on our website. It is the duty of the Nominating and Governance Committee to oversee matters regarding corporate governance. In fulfilling its duties, the Nominating and Governance Committee has the following responsibilities:

- Review and recommend the composition of our Board, including the nature and duties of each of our committees, in accordance with our Corporate Governance Guidelines;
- Evaluate the charters of each of the committees and recommend directors to serve as committee chairs;
- Review individual director's performance in consultation with the Chairman of the Board and review the overall effectiveness of the Board;
- Recommend retirement policies for the Board, the terms for directors and the proper ratio of employee directors to outside directors;
- Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board;

- Review stockholder proposals received for inclusion in the Company's proxy statement and recommend action to be taken with regard to the proposals to the Board; and
- Identify and recommend to the Board candidates to fill director vacancies.

Potential director candidates are identified through various methods; the Nominating and Governance Committee welcomes suggestions from directors, members of management, and stockholders. From time to time, the Nominating and Governance Committee uses outside consultants to assist it with identifying potential director candidates. In 2015, the Nominating and Governance Committee retained an outside consultant who identified Ms. Kathleen M. Mazzarella as a potential director candidate. Our Board of Directors elected Ms. Mazzarella as a member of the Board effective October 1, 2015, and she was appointed to the MD&C Committee and the Nominating and Governance Committee. She is a nominee for re-election at the annual meeting.

For all potential candidates, the Nominating and Governance Committee considers all factors it deems relevant, such as a candidate's personal and professional integrity and sound judgment, business and professional skills and experience, independence, possible conflicts of interest, diversity, and the potential for effectiveness, in conjunction with the other directors, to serve the long-term interests of the stockholders. While there is no formal policy with regard to consideration of diversity in identifying director nominees, the Committee considers diversity in business experience, professional expertise, gender and ethnic background, along with various other factors when evaluating director nominees. The Committee uses a matrix of functional and industry experiences to develop criteria to select candidates. Before being nominated by the Nominating and Governance Committee, director candidates are interviewed by the Chief Executive Officer and a minimum of two members of the Nominating and Governance Committee, including the Non-Executive Chairman of the Board. Additional interviews may include other members of the Board, representatives from senior levels of management and an outside consultant.

The Nominating and Governance Committee will consider all potential nominees on their merits without regard to the source of recommendation. The Nominating and Governance Committee believes that the nominating process will and should continue to involve significant subjective judgments. To suggest a nominee for consideration by the Nominating and Governance Committee, you should submit your candidate's name, together with biographical information and his or her written consent to nomination to the Chairman of the Nominating and Governance Committee, Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002, between October 27, 2016 and November 26, 2016.

Related Party Transactions

The Board of Directors has adopted a written Related Party Transactions Policy for the review and approval or ratification of related party transactions. Our policy generally defines related party transactions as current or proposed transactions in excess of \$120,000 in which (i) the Company is a participant and (ii) any director, executive officer or immediate family member of any director or executive officer has a direct or indirect material interest. In addition, the policy sets forth certain transactions that will not be considered related party transactions, including (i) executive officer compensation and benefit arrangements; (ii) director compensation arrangements; (iii) business travel and expenses, advances and reimbursements in the ordinary course of business; (iv) indemnification payments and advancement of expenses, and payments under directors' and officers' indemnification insurance policies; (v) any transaction between the Company and any entity in which a related party has a relationship solely as a director, a less than 5% equity holder, or an employee (other than an executive officer); and (vi) purchases of Company debt securities, provided that the related party has a passive ownership of no more than 2% of the principal amount of any outstanding series. The Nominating and Governance Committee is responsible for overseeing the policy.

All executive officers and directors are required to notify the Chief Legal Officer or the Corporate Secretary as soon as practicable of any proposed transaction that they or their family members are considering entering into that involves the Company. The Chief Legal Officer will determine whether potential transactions or relationships constitute related party transactions that must be referred to the Nominating and Governance Committee.

The Nominating and Governance Committee will review a detailed description of the transaction, including:

- the terms of the transaction;
- the business purpose of the transaction;
- the benefits to the Company and to the relevant related party; and
- whether the transaction would require a waiver of the Company's Code of Conduct.

In determining whether to approve a related party transaction, the Nominating and Governance Committee will consider, among other things, whether:

- the terms of the related party transaction are fair to the Company and such terms would be reasonable in an arms-length transaction;
- there are business reasons for the Company to enter into the related party transaction;
- the related party transaction would impair the independence of any non-employee director;
- the related party transaction would present an improper conflict of interest for any director or executive officer of the Company; and
- the related party transaction is material to the Company or the individual.

Any member of the Nominating and Governance Committee who has an interest in a transaction presented for consideration will abstain from voting on the related party transaction.

The Nominating and Governance Committee's consideration of related party transactions and its determination of whether to approve such a transaction are reflected in the minutes of the Nominating and Governance Committee's meetings. As discussed above under "Independence of Board Members," the Company reviewed all transactions between the Company and each entity with which a non-employee director is affiliated, as well as all transactions between the Company and each entity with which an executive officer is affiliated, and the Company is not aware of any transactions that are required to be disclosed.

Special Committee

The Board of Directors appointed a Special Committee in November 2006 to make determinations regarding the Company's obligation to provide indemnification when and as may be necessary. The Special Committee consists of Mr. Gross and Mr. Weidemeyer. The Special Committee held no meetings in 2015.

Board of Directors Governing Documents

Stockholders may obtain copies of our Corporate Governance Guidelines, the charters of the Audit Committee, the MD&C Committee, and the Nominating and Governance Committee, and our Code of Conduct free of charge by contacting the Corporate Secretary, c/o Waste Management, Inc., 1001 Fannin Street, Houston, Texas 77002 or by accessing the "Corporate Governance" section of the "Investor Relations" page on our website at www.wm.com.

Non-Employee Director Compensation

Our non-employee director compensation program consists of equity awards and cash consideration. Director compensation is recommended annually by the MD&C Committee, with the assistance of an independent third-party consultant, and set by action of the Board of Directors. Our non-employee director compensation was last increased in February 2014. The Board's goal in designing directors' compensation is to provide a competitive package that will enable the Company to attract and retain highly skilled individuals with relevant experience. The compensation is also designed to reward the time and talent required to serve on the board of a company of our size and complexity. The Board seeks to provide sufficient flexibility in the form of compensation delivered to meet the needs of different individuals while ensuring that a substantial portion of directors' compensation is linked to the long-term success of the Company.

Equity Compensation

Non-employee directors receive an annual grant of shares of Common Stock under the Company's Stock Incentive Plan. The shares are fully vested at the time of grant; however, non-employee directors are subject to ownership guidelines discussed below. The grant of shares is generally made in two equal installments, and the number of shares issued is based on the market value of our Common Stock on the dates of grant, which historically have been January 15 and July 15 of each year. The current value of the annual stock award granted to non-employee directors is \$140,000. Accordingly, each non-employee director received a grant of Common Stock valued at \$70,000 on January 15, 2015 and July 15, 2015 under the 2014 Stock Incentive Plan. Mr. Reum received an additional grant of Common Stock valued at \$100,000 for his service as Non-Executive Chairman of the Board in 2015, which was also made in two equal installments on January 15 and July 15.

Cash Compensation

All non-employee directors receive an annual cash retainer for Board service and additional cash retainers for serving as a committee chair. Directors do not receive meeting fees in addition to the retainers. The annual cash retainer is generally paid in advance in two equal installments in January and July of each year. The table below sets forth the cash retainers for 2015:

Annual Retainer	\$110,000
Annual Chair Retainers	\$100,000 for Non-Executive Chairman \$25,000 for Audit Committee Chair \$20,000 for MD&C Committee Chair \$15,000 for Nominating and Governance Committee Chair
Other Annual Retainers	\$10,000 for Special Committee (Paid only in years when convened; the Special Committee was not convened in 2015.)

Stock Ownership Guidelines for Non-Employee Directors

Our non-employee directors are subject to ownership guidelines that establish a minimum ownership level and require that all net shares received in connection with a stock award, after selling shares to pay all applicable taxes, be held during their tenure as a director and for one year following termination of Board service. The guidelines require each director to hold Common Stock or share-based instruments valued at approximately five times the annual cash retainer for non-employee directors based on a \$40 stock price. As a result, non-employee directors currently are required to hold 13,500 shares. There is no deadline set for non-employee directors to reach their ownership guideline; however, the MD&C Committee performs regular reviews to confirm all non-employee directors are in compliance or are showing sustained progress toward achievement of their ownership guideline. Each of Messrs. Anderson, Clark, Gross, Pope, Reum and Weidemeyer have reached their ownership guideline. Our three newest directors, Ms. Mazarella, Mr. Gluski and Ms. Holt, are making appropriate progress toward their ownership guideline. Additionally, our insider trading policy provides that directors are not permitted to hedge their ownership of Company securities, including trading in options, warrants, puts and calls or similar derivative instruments on any security of the Company or selling any security of the Company "short."

Director Compensation Table

The table below shows the aggregate cash paid, and stock awards issued, to the non-employee directors in 2015 in accordance with the descriptions set forth above:

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)¹</u>	<u>Total (\$)</u>
Bradbury H. Anderson	110,000	140,000	250,000
Frank M. Clark, Jr.	130,000	140,000	270,000
Andrés R. Gluski	110,000	140,000	250,000
Patrick W. Gross	135,000	140,000	275,000
Victoria M. Holt	110,000	140,000	250,000
Kathleen M. Mazzarella ²	27,500	35,000	62,500
John C. Pope	110,000	140,000	250,000
W. Robert Reum	210,000	240,000	450,000
Thomas H. Weidemeyer	125,000	140,000	265,000

- (1) Amounts in this column represent the grant date fair value of stock awards granted in 2015, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718. The grant date fair value of the awards is equal to the number of shares issued multiplied by the average of the high and low market price of our Common Stock on each date of grant; there are no assumptions used in the valuation of shares.
- (2) Prorated compensation for the period from Ms. Mazzarella's election on October 1, 2015 through December 31, 2015.

ELECTION OF DIRECTORS

(ITEM 1 ON THE PROXY CARD)

The first proposal on the agenda is the election of ten directors to serve until the 2017 Annual Meeting of Stockholders or until their respective successors have been duly elected and qualified. The Board has nominated the ten director candidates named below, and recommends that you vote **FOR** their election. If any nominee is unable or unwilling to serve as a director, which we do not anticipate, the Board, by resolution, may reduce the number of directors that constitute the Board or may choose a substitute. To be elected, a director must receive a majority of the votes cast with respect to that director at the meeting. Our By-laws provide that if the number of shares voted “for” any director nominee does not exceed 50% of the votes cast with respect to that director, he or she will tender his or her resignation to the Board of Directors. The Nominating and Governance Committee will then make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken.

The table below shows all of our director nominees; their ages, terms of office on our Board; experience within the past five years; and their qualifications we considered when inviting them to join our Board as well as nominating them for re-election. We believe that, as a general matter, our directors’ past five years of experience gives an indication of the wealth of knowledge and experience these individuals have and that we considered; however, we have also indicated the specific skills and areas of expertise we believe makes each of these individuals a valuable member of our Board.

Director Nominees

Director

Qualifications

Bradbury H. Anderson, 66 **Director since August 2011**

Vice Chairman and Chief Executive Officer — Best Buy Co., Inc. (multinational retailer of technology and entertainment products and services) from 2002 to 2009; President and Chief Operating Officer of Best Buy from 1991 to 2002.

Director of Best Buy Co., Inc. since June 2013 (retiring June 2016).

Director of General Mills, Inc. since 2007.

Director of Carlson Companies, a private company, since 2009.

Mr. Anderson served in the positions of chief executive officer and chief operating officer of a large public retail company for several years, during a customer segmentation transformation, which provided him with extensive knowledge of management and operations of large public companies, including experience implementing customer focused strategies. He also has over 19 years of experience as a member of a public company board of directors.

Frank M. Clark, Jr., 70 **Director since 2002**

Chairman and Chief Executive Officer — ComEd (energy services company and subsidiary of Exelon Corporation) from November 2005 to February 2012; President — ComEd from 2001 to November 2005.

Executive Vice President and Chief of Staff — Exelon Corporation (public utility holding company) from 2004 to 2005; Senior Vice President — Exelon Corporation from 2001 to 2004.

Director of Aetna, Inc. since 2006.

Director of BMO Financial Corp., a private company, since 2005.

Mr. Clark served in executive positions at a large public utility company for over a decade, providing him with extensive experience and knowledge of large company management, operations and business critical functions. He also brings over 13 years of experience as a member of a public company board of directors.

Director**Qualifications****Andrés R. Gluski, 58****Director since January 2015**

President and Chief Executive Officer — The AES Corporation (global power company) since September 2011;

Chief Operating Officer — The AES Corporation from 2007 to September 2011.

Director of The AES Corporation since September 2011.

Director of Cliffs Natural Resources from 2011 to July 2014.

During his tenure as President and CEO of the AES Corporation, a Fortune 200 company in the energy business, Mr. Gluski has led a major reorganization and cost savings program and construction program. Over the past twenty years, Mr. Gluski has served in executive positions in the electricity, telecoms and banking sectors and has been involved in many aspects of acquisitions, sales, financings and debt restructuring. He has served on boards of major corporations, currently serves on President Obama's Export Council and is the Chairman of the Council of the Americas/Americas Society.

Patrick W. Gross, 71**Director since 2006**

Chairman — The Lovell Group (private investment and advisory firm) since 2001.

Director of Capital One Financial Corporation since 1995.

Director of Liquidity Services, Inc. since 2001.

Director of Career Education Corporation since 2005.

Director of Rosetta Stone, Inc. since 2009.

Director of Taleo Corporation from 2006 to February 2012.

Mr. Gross was a founder of American Management Systems, Inc., a global business and information technology firm, where he was a principal executive officer for over 30 years. Mr. Gross built and supervised the AMS financial services business that provided IT-based applications to major banks. As a result, he has extensive experience in applying information technology, advanced data analytics and risk management analytics in global companies. His background, education and board service also provide him with expertise in finance, accounting and cybersecurity. He also brings over 30 years of experience serving on the board of directors for public companies.

Victoria M. Holt, 58**Director since January 2013**

President and Chief Executive Officer — Proto Labs, Inc. (online and technology-enabled quick-turn manufacturer) since February 2014.

President and Chief Executive Officer — Spartech Corporation (a leading producer of plastic sheet, compounds and packaging products) from 2010 to March 2013.

Senior Vice President, Glass and Fiber Glass, PPG Industries, Inc. (a leading coatings and specialty products company) from 2005 to 2010.

Director of Watlow Electric Manufacturing Company, a private company, since December 2012.

Director of Spartech Corporation from 2005 to March 2013.

Ms. Holt has served in executive positions at public companies for many years, providing her with extensive knowledge about operations, management, logistical requirements and measuring financial performance of large public companies. Her background and education provide her with expertise in applying environmental solutions critical to our Company's strategy. She also has many years of experience serving on a public company board of directors.

Director**Qualifications****Kathleen M. Mazzarella, 56**
Director since October 2015

Chairman, President and Chief Executive Officer — Graybar Electric Company, Inc. (distributor of electrical, communications and data networking products and provider of related supply chain management and logistics services) since January 2013; President and Chief Executive Officer — Graybar Electric Company, Inc. from June 2012 to January 2013; Executive Vice President and Chief Operating Officer — Graybar Electric Company, Inc. from 2010 to June 2012.

Director of Federal Reserve Bank of St. Louis since January 2015.

Ms. Mazzarella has experience serving as the chief executive of a large corporation, developing expertise in the areas of logistics and supply chain management. During her 36-year tenure at Graybar, Ms. Mazzarella has held executive-level positions in sales, human resources, strategic planning and marketing. This diverse background combined with her deep and valuable experience leading various aspects of a customer-focused business will help the Company achieve its strategy to know and service its customers better than anyone in the industry. She also has experience serving on private and non-profit boards.

John C. Pope, 66
Non-Executive Chairman of the Board from 2004 through 2011;
Director since 1997

Chairman of the Board — PFI Group (private investment firm) since 1994.

Chairman of the Board — R.R. Donnelley & Sons Company since May 2014; Director of R.R. Donnelley & Sons Company, or predecessor companies, since 1996.

Director of The Kraft Heinz Company, or predecessor companies including Kraft Foods Group, Inc., since 2001.

Director of Talgo S.A. since May 2015.

Former Directorships: Con-way, Inc., or predecessor companies, from 2003 to October 2015; Dollar Thrifty Automotive Group, Inc. from 1997 to November 2012; and Navistar International Corporation from October 2012 to July 2013.

Prior to his service on the boards of multiple major corporations, Mr. Pope served in executive operational and financial positions at large airline companies for almost 20 years, providing him with extensive experience and knowledge of management of large public companies with large-scale logistical challenges, high fixed-cost structure and significant capital requirements. His background, education and board service also provide him with expertise in finance and accounting. Mr. Pope has served on the board of directors for many public companies for over 30 years.

W. Robert Reum, 73
Non-Executive Chairman of the Board since January 2012;
Director since 2003

Chairman, President and CEO — Amsted Industries Incorporated (diversified manufacturer for the railroad, vehicular and construction industries) since 2001.

Mr. Reum has served as the chief executive of a private diversified manufacturing company for 15 years. He also served as Chairman, President and Chief Executive Officer of The Interlake Corporation, a public diversified metal products company, from 1991 to 1999. As a result, he has extensive management experience within a wide range of business functions. Mr. Reum also brings over 20 years of experience serving on the board of directors for public companies.

Director

Qualifications

David P. Steiner, 55

**Chief Executive Officer and Director since 2004;
President since 2010**

Executive Vice President and Chief Financial Officer from 2003 to 2004.

Director of FedEx Corporation since 2009.

Director of TE Connectivity Ltd. (formerly Tyco Electronics Corporation) from 2007 to March 2016.

Mr. Steiner is our President and Chief Executive Officer and, in that capacity, brings extensive knowledge of the details of our Company and its employees, as well as the front-line experiences of running our Company, to his service as a member of our Board. Mr. Steiner also brings his experience serving on the board of directors of other major public companies.

Thomas H. Weidemeyer, 68

Director since 2005

Chief Operating Officer — United Parcel Service, Inc. (package delivery and supply chain services company) from 2001 to 2003; Senior Vice President — United Parcel Service, Inc. from 1994 to 2003.

President, UPS Airlines (UPS owned airline) from 1994 to 2003.

Director of NRG Energy, Inc. since 2003.

Director of The Goodyear Tire & Rubber Company since 2004.

Director of Amsted Industries Incorporated since 2007.

Mr. Weidemeyer served in executive positions at a large public company for several years. His roles encompassed significant operational management responsibility, providing him knowledge and experience in an array of functional areas critical to large public companies, including supply chain and logistics management. Mr. Weidemeyer also has over 13 years of experience serving on the board of directors for public companies.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE TEN NOMINEE DIRECTORS.

DIRECTOR AND OFFICER STOCK OWNERSHIP

Our Board of Directors has adopted stock ownership guidelines for our non-employee directors based on the recommendation of the MD&C Committee, as described in Non-Employee Director Compensation on page 14 of this Proxy Statement. Our executive officers, including Mr. Steiner, are also subject to stock ownership guidelines, as described in the *Compensation Discussion and Analysis* on page 38 of this Proxy Statement.

The Security Ownership of Management table below shows the number of shares of Common Stock each director nominee and each executive officer named in the Summary Compensation Table on page 41 beneficially owned as of March 15, 2016, our record date for the annual meeting, as well as the number owned by all directors and executive officers as a group. These individuals, both individually and in the aggregate, own less than 1% of our outstanding shares as of the record date.

Security Ownership of Management

Name	Shares of Common Stock Owned ¹	Shares of Common Stock Covered by Exercisable Options ²	Phantom Stock ³
Bradbury H. Anderson ⁴	17,613	0	0
Frank M. Clark, Jr.	28,049	0	0
Andrés R. Gluski	4,147	0	0
Patrick W. Gross	21,090	0	0
Victoria M. Holt	10,249	0	0
Kathleen M. Mazzarella ⁵	2,059	0	0
John C. Pope ⁶	49,707	0	0
W. Robert Reum	33,420	0	0
Thomas H. Weidemeyer	23,348	0	0
David P. Steiner ⁷	1,000,323	1,615,551	116,089
James E. Trevathan, Jr.	297,374	78,270	0
James C. Fish, Jr.	110,658	48,813	0
Jeff M. Harris ⁸	88,240	89,862	0
John J. Morris, Jr.	44,483	46,523	2,224
All directors and executive officers as a group (19 persons) ⁹	1,878,071	2,020,093	125,157

- (1) The table reports beneficial ownership in accordance with Rule 13d-3 under the Exchange Act. The amounts reported above include 12,149 stock equivalents attributed to Mr. Steiner, 3,644 stock equivalents attributed to Mr. Fish, and 2,049 stock equivalents attributable to Mr. Morris, based on their holdings in the Company's 401(k) Retirement Savings Plan stock fund. The amounts reported above also include 506,302 shares of Common Stock deferred by Mr. Steiner, 2,709 shares of Common Stock deferred by Mr. Trevathan, and 42,992 shares of Common Stock deferred by Mr. Fish. Deferred shares were earned on account of vested equity awards and pay out in shares of Common Stock after the executive's departure from the Company pursuant to the Company's 409A Deferral Plan.
- (2) Includes the number of options currently exercisable and options that will become exercisable within 60 days of our record date.
- (3) Executive officers may choose a Waste Management stock fund as an investment option for deferred cash compensation under the Company's 409A Deferral Plan. Interests in the fund are considered phantom stock because they are equal in value to shares of our Common Stock. Phantom stock receives dividend equivalents, in the form of additional phantom stock, at the same time that holders of shares of Common Stock receive dividends. The value of the phantom stock is paid out, in cash, after the executive's departure from the Company. Phantom stock is not considered as equity ownership for SEC disclosure purposes; we have provided supplemental disclosure of phantom stock in this table because it represents an investment risk based on the performance of our Common Stock.

- (4) The number of shares owned by Mr. Anderson includes 100 shares held by his wife.
- (5) Shares are held by the Mazzarella Living Trust, a joint revocable trust for which Ms. Mazzarella and her husband serve as trustees.
- (6) The number of shares owned by Mr. Pope includes 435 shares held in trusts for the benefit of his children.
- (7) The number of shares owned by Mr. Steiner includes 343,294 shares held by Steiner Family Holdings, LLC. Mr. Steiner is the sole manager of this company. All of the shares held by Steiner Family Holdings, LLC are pledged as security for a loan.
- (8) Includes 64,410 shares held by the Jeff Harris Revocable Trust, for which Mr. Harris serves as trustee.
- (9) Included in the “All directors and executive officers as a group” are 17,842 stock equivalents attributable to the executive officers’ collective holdings in the Company’s 401(k) Retirement Savings Plan stock fund and 552,003 shares of Common Stock deferred on account of vested equity awards pursuant to the Company’s 409A Deferral Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The table below shows information for persons known to us to beneficially own more than 5% of our Common Stock based on their filings with the SEC through March 15, 2016.

<u>Name and Address</u>	<u>Shares Beneficially Owned</u>	
	<u>Number</u>	<u>Percent¹</u>
William H. Gates III One Microsoft Way Redmond, WA 98052	31,894,679 ²	7.2
Capital World Investors 333 South Hope Street Los Angeles, CA 90071	28,081,128 ³	6.3
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	27,800,715 ⁴	6.3
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	24,980,290 ⁵	5.6

- (1) Percentage is calculated using the number of shares of Common Stock outstanding as of March 15, 2016.
- (2) This information is based on a Schedule 13G/A filed with the SEC on February 12, 2016. Mr. Gates reports that he has sole voting and dispositive power over 13,261,007 shares of Common Stock held by Cascade Investment, L.L.C., as the sole member of such entity. Additionally, the Schedule 13G/A reports that Mr. Gates and Melinda French Gates share voting and dispositive power over 18,633,672 shares of Common Stock beneficially owned by Bill & Melinda Gates Foundation Trust.
- (3) This information is based on a Schedule 13G/A filed with the SEC on February 16, 2016. Capital World Investors reports that it is deemed to be the beneficial owner of 28,081,128 shares of Common Stock as a result of acting as investment adviser to various investment companies. Capital World Investors disclaims beneficial ownership of all shares.
- (4) This information is based on a Schedule 13G/A filed with the SEC on February 10, 2016. BlackRock, Inc. reports that it has sole voting power over 23,990,645 shares of Common Stock and sole dispositive power over 27,800,715 shares of Common Stock beneficially owned.
- (5) This information is based on a Schedule 13G/A filed with the SEC on February 11, 2016. The Vanguard Group reports that it has sole or shared voting power over 834,954 shares of Common Stock and sole or shared dispositive power over 24,980,290 shares of Common Stock beneficially owned.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The federal securities laws require our executive officers and directors to file reports of their holdings and transactions in our Common Stock with the SEC and the New York Stock Exchange. Based on a review of the forms and written representations from our executive officers and directors, we believe that all applicable requirements were complied with in 2015, except that, due to administrative errors, (a) Mr. Mark Schwartz, Senior Vice President – Human Resources, was late in filing one Form 4 following a vesting of restricted stock units and related sale of shares to cover taxes and (b) Mr. John Morris, Senior Vice President — Operations, was late in filing one Form 4 following an exercise of stock options and sale of shares to cover option costs and taxes.

EXECUTIVE OFFICERS

The following is a listing of our current executive officers, other than Mr. Steiner, whose personal information is included in the Director Nominees section of this Proxy Statement on page 19, their ages and business experience for the past five years.

<u>Name</u>	<u>Age</u>	<u>Positions Held and Business Experience for Past Five Years</u>
Puneet Bhasin	53	<ul style="list-style-type: none"> • Executive Vice President, Corporate Operations and Recycling since November 2015. • Senior Vice President, Corporate Operations from November 2014 to November 2015. • Chief Information Officer and Senior Vice President, Technology, Logistics and Customer Service from August 2012 to November 2014. • Senior Vice President and Chief Information Officer from December 2009 to August 2012.
Barry H. Caldwell	55	<ul style="list-style-type: none"> • Senior Vice President — Corporate Affairs and Chief Legal Officer since November 2014. • Senior Vice President — Government Affairs and Corporate Communications from September 2002 to November 2014.
Don P. Carpenter	55	<ul style="list-style-type: none"> • Vice President and Chief Accounting Officer since August 2012. • Vice President — Tax from May 2002 to August 2012.
James C. Fish, Jr.	53	<ul style="list-style-type: none"> • Executive Vice President and Chief Financial Officer since August 2012. • Senior Vice President — Eastern Group from June 2011 to August 2012. • Area Vice President — Pennsylvania and West Virginia Area from January 2009 to June 2011.
Jeff M. Harris	61	<ul style="list-style-type: none"> • Senior Vice President — Operations since July 2012. • Senior Vice President — Midwest Group from April 2006 to July 2012. • Area Vice President — Michigan Market Area from April 2000 to April 2006.
John J. Morris, Jr.	46	<ul style="list-style-type: none"> • Senior Vice President — Operations since July 2012. • Chief Strategy Officer from March 2012 to July 2012. • Area Vice President — Greater Mid-Atlantic Area from July 2011 to March 2012. • Area Vice President — Waste Management of New Jersey from February 2007 to July 2011.
Devina A. Rankin	40	<ul style="list-style-type: none"> • Vice President and Treasurer since August 2012. • Assistant Treasurer from June 2010 to August 2012.
Mark E. Schwartz	58	<ul style="list-style-type: none"> • Senior Vice President — Human Resources since May 2012. • Vice President and Assistant General Counsel — Labor and Employment from December 2000 to May 2012.
James E. Trevathan, Jr.	63	<ul style="list-style-type: none"> • Executive Vice President and Chief Operating Officer since July 2012. • Executive Vice President — Growth, Innovation and Field Support from June 2011 to July 2012. • Senior Vice President — Southern Group from July 2007 to June 2011.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Company's Compensation Discussion and Analysis provides information about the Company's executive compensation philosophy and the components of its compensation programs. This includes information about how compensation of the Company's named executive officers for the fiscal year ended December 31, 2015 aligned with the Company's 2015 financial goals and performance. The Compensation Discussion and Analysis helps readers better understand the information found in the Summary Compensation Table and other accompanying tables located in this Proxy Statement.

This Compensation Discussion and Analysis focuses on our executive pay program as it relates to the following executive officers, whom we refer to as the "named executive officers" or "named executives":

- Mr. David Steiner – Chief Executive Officer since 2004 and President since June 2010.
- Mr. James Trevathan – Executive Vice President and Chief Operating Officer since July 2012.
- Mr. James Fish – Executive Vice President and Chief Financial Officer since August 2012.
- Mr. Jeff Harris – Senior Vice President – Operations since July 2012.
- Mr. John Morris – Senior Vice President – Operations since July 2012.

Executive Summary

The objective of our executive compensation program is to attract, retain, reward and incentivize exceptional, talented employees who will lead the Company in the successful execution of our strategy. The Company seeks to accomplish this goal by designing a compensation program that is supportive of and aligns with the strategy of the Company and the creation of stockholder value, while discouraging excessive risk-taking. The following key structural elements and policies further the objective of our executive compensation program:

- a substantial portion of executive compensation is linked to Company performance, through annual cash incentive performance criteria and long-term equity-based incentive awards. As a result, our executive compensation program provides for a significant difference in total compensation in periods of above-target Company performance as compared to periods of below-target Company performance. In 2015, our performance-based annual cash incentive and long-term equity-based incentive awards comprised approximately 87% of total target compensation for our President and Chief Executive Officer and approximately 77% of total target compensation for our other named executives;
- at target, approximately 58% of total compensation of our named executives (and approximately 70% in the case of our President and Chief Executive Officer) results from long-term equity awards, which aligns executives' interests with those of stockholders;
- our total direct compensation opportunities for named executive officers are targeted to fall in a range around the competitive median;
- performance-based awards include threshold, target and maximum payouts correlating to a range of performance goals and are based on a variety of indicators of performance, which limits risk-taking behavior;
- performance stock units with a three-year performance period, as well as stock options that vest over a three-year period, link executives' interests with long-term performance and reduce incentives to maximize performance in any one year;
- all of our named executive officers are subject to stock ownership requirements, which we believe demonstrates a commitment to, and confidence in, the Company's long-term prospects;

- the Company has clawback provisions in its equity award agreements and recent employment agreements, and has adopted a clawback policy applicable to annual incentive compensation, designed to recoup compensation when cause and/or misconduct are found;
- our executive officer severance policy implemented a limitation on the amount of benefits the Company may provide to its executive officers under severance agreements entered into after the date of such policy; and
- the Company has adopted a policy that prohibits it from entering into new agreements with executive officers that provide for certain death benefits or tax gross-up payments.

2015 Company Performance and Compensation Results

We recognize that the waste industry is changing, and we believe we are uniquely equipped to meet the challenges of our industry and our customers' waste management needs, both today and as we work together to envision and create a more sustainable future. As the waste industry leader, we have the expertise necessary to collect and handle our customers' waste efficiently and responsibly by delivering environmental performance — maximizing resource value, while minimizing environmental impact — so that both our economy and our environment can thrive. Drawing on our resources and experience, we also pursue projects and initiatives that benefit the waste industry, the customers and communities we serve and the environment.

We remain dedicated to providing long-term value to our stockholders by successfully executing our strategy: to know and service our customers better than anyone in our industry, to extract more value from the materials we manage, and to innovate and optimize our business. We plan to accomplish our strategic goals through competitive advantages derived from operational improvements and focused differentiation in our industry, driven by capitalizing on our extensive, well-placed network of assets. While we will continue to monitor emerging diversion technologies that may generate additional value, our current attention will be on improving existing diversion technologies such as our recycling operations. We believe that execution of our strategy will drive continued performance and leadership in a dynamic industry.

In 2015, we generated strong earnings and cash flow growth from our solid waste business by continuing a disciplined focus on revenue growth and cost control. These results were driven by strong core pricing in each line of business; controlling costs of both our operations and corporate functions; improving customer experience by differentiating our service offerings to reduce customer churn; maintaining discipline around capital spending; and implementing a more rational and sustainable framework for recycling operations as an integrated component of solid waste services. Another priority we successfully pursued in 2015 was the investment of cash proceeds from the divestiture of our Wheelabrator business in late 2014 to support our strategic growth plans. As we look forward to 2016, our key priorities will remain the same — driving revenue growth from yield, maintaining our commitment to provide excellent customer service and improving our productivity while managing our costs. We believe that continued execution of these objectives will translate into earnings and cash flow growth, leaving us well positioned to continue investing in our business, pay dividends and repurchase shares, while continuing our commitment to maintain a strong balance sheet.

In line with the Company's financial results, the following is a summary of the 2015 compensation program results:

- the Company granted increases to the base salaries of named executive officers consistent with our compensation philosophy and driven by competitive market data, internal pay equity considerations and individual performance;
- Company performance on annual cash incentive performance measures for named executive officers exceeded the target level for one of the three performance measures, was at target for one of the three performance measures and was below target but above threshold for the third performance measure. As a result, each of the named executives received an annual cash incentive payment for fiscal year 2015 equal to 108.5% of target;

- the Company generated a return on invested capital, for purposes of performance goals associated with half of our performance share units (“PSUs”) granted in 2013, of 17.5%, significantly exceeding the target of 16.0% and approaching the maximum of 17.6% for the three-year performance period ended December 31, 2015. This performance resulted in a 196.15% payout on these PSUs in shares of Common Stock; and
- with respect to the remaining half of the PSUs granted in 2013 with a performance period ended December 31, 2015 that was subject to total shareholder return relative to the S&P 500, the performance of the Company’s Common Stock on this measure exceeded the target of the 50th percentile, resulting in a 132.88% payout on these PSUs in shares of Common Stock. This performance directly benefited our stockholders, delivering total shareholder return of 73.47% over the three-year performance period, placing the Company in the 66th percentile.

The 2015 results continue to reinforce our emphasis on performance-based compensation, as we believe the performance criteria underlying our incentive compensation successfully drove the results we were seeking and correlated with total shareholder return. The MD&C Committee strives to establish performance goals that are challenging, but attainable, and the MD&C Committee remains dedicated to the principle that executive compensation should be substantially linked to Company performance. Accordingly, the compensation of the Company’s executive officers set forth in the Summary Compensation Table of this Proxy Statement evidences our commitment to pay for performance.

Consideration of Stockholder Advisory Vote

When establishing 2015 compensation for the named executives, the MD&C Committee noted the results of the advisory stockholder votes on executive compensation in May 2014, 2013, 2012 and 2011, with 97%, 97%, 96% and 97%, respectively, of shares present and entitled to vote at the annual meeting voting in favor of the Company’s executive compensation. The MD&C Committee has also since noted the results of the May 2015 advisory stockholder vote, with 97% of shares present and entitled to vote at the annual meeting voting in favor of the Company’s executive compensation. Accordingly, the results of the stockholder advisory vote have not caused the MD&C Committee to recommend any changes to our compensation practices.

2016 Compensation Program Preview

The MD&C Committee continually reviews our compensation program to ensure that it is clearly aligned with the business strategy and best supports the accomplishment of our goals. The MD&C Committee is pleased with the results that were delivered under the 2014 and 2015 compensation program design, which recognized the need to improve the Company’s financial results while continuing our focus on pricing, capital allocation and cost control. As a result, the MD&C Committee has approved keeping the 2016 annual cash and long-term incentive compensation program design consistent with the 2014 and 2015 compensation program design, with an adjustment only to equally weight the respective annual cash incentive performance metrics. This consistency reinforces the MD&C Committee’s efforts to maintain a compensation program that is straightforward and easy to communicate and understand.

Our Compensation Philosophy for Named Executive Officers

The Company's compensation philosophy is designed to:

- Attract and retain exceptional employees through competitive compensation opportunities;
- Encourage and reward performance through substantial at-risk performance-based compensation, while discouraging excessive risk-taking behavior; and
- Align our decision makers' long-term interests with those of our stockholders through emphasis on equity ownership.

Additionally, our compensation philosophy is intended to encourage executives to embrace the Company's strategy and to lead the Company in setting aspirations that will continue to drive exemplary performance.

With respect to our named executive officers, the MD&C Committee believes that total direct compensation at target should be in a range around the competitive median according to the following:

- Base salaries should be paid within a range of plus or minus 10% around the competitive median, but attention must be given to individual circumstances, including strategic importance of the named executive's role, the executive's experience and individual performance;
- Target short-term and long-term incentive opportunities should generally be set at the competitive median; and
- Total direct compensation opportunities should generally be within a range of plus or minus 20% around the competitive median.

Overview of Elements of Our 2015 Compensation Program

Timing	Component	Purpose	Key Features
Current	Base Salary	To attract and retain executives with a competitive level of regular income	Adjustments to base salary primarily consider competitive market data and the executive's individual performance and responsibilities.
Short-Term Performance Incentive	Annual Cash Incentive	To encourage and reward contributions to our annual financial objectives through performance-based compensation subject to challenging, yet attainable, objective and transparent metrics	<p>Cash incentives are targeted at a percentage of base salary and range from zero to 200% of target based on the following performance measures:</p> <ul style="list-style-type: none"> Income from Operations Margin – defined as Income from Operations as a percentage of Revenue – motivates executives to control costs and operate efficiently while focusing on yield – weighted 25%; Income from Operations, excluding Depreciation and Amortization – designed to encourage balanced growth and profitability – weighted 25%; and Cost – defined as Operating Expense, less depreciation, depletion and amortization, as a percentage of Net Revenue – designed to support cost control and innovation initiatives – weighted 50%. <p>The MD&C Committee has discretion to increase or decrease an individual's payment by up to 25% based on individual performance, but such modifier has never been used to increase a payment to a named executive.</p>
Long-Term Performance Incentives	Performance Share Units	<p>To encourage and reward building long-term stockholder value through successful strategy execution;</p> <p>To retain executives; and</p> <p>To increase stockholder alignment through executives' stock ownership</p>	<p>Number of shares delivered range from zero to 200% of the initial target grant based on performance over a three-year performance period.</p> <p>Payout on half of each executive's PSUs granted in 2015 is dependent on cash flow generation, defined as cash provided by operating activities with certain exclusions, which continues our focus on capital discipline, while also aligning the Company with stockholders' free cash flow expectations.</p> <p>Payout on the remaining half of the PSUs granted in 2015 is dependent on total shareholder return (TSR) relative to other companies in the S&P 500 over the three-year performance period.</p> <p>PSUs earn dividend equivalents that are paid at the end of the performance period based on the number of shares actually awarded.</p> <p>Recipients can defer the receipt of shares, which are paid out in shares of Common Stock, without interest, at the end of the deferral period.</p>
	Stock Options	<p>To support the growth element of the Company's strategy and encourage and reward stock price appreciation over the long-term;</p> <p>To retain executives; and</p> <p>To increase stockholder alignment through executives' stock ownership</p>	<p>Stock options vest in 25% increments on the first two anniversaries of the date of grant and the remaining 50% vest on the third anniversary.</p> <p>Exercise price is the average of the high and low market price of our Common Stock on the date of grant.</p> <p>Stock options have a term of ten years.</p>

Post-Employment and Change in Control Compensation. The post-employment compensation our named executives receive is based on provisions included in individual equity award agreements, retirement plan documents and employment agreements. Our equity award agreements generally provide that an executive forfeits unvested awards if he or she voluntarily terminates employment. We enter into employment agreements with our named executive officers to provide a form of protection for the Company through restrictive covenant provisions. Employment agreements also aid in retention of senior leadership by providing the individual with comfort that he will be treated fairly in the event of a termination not for cause or under a change in control situation. The change in control provision included in each named executive officer's agreement requires a double trigger in order to receive any payment in the event of a change in control situation. First, a change in control must occur, and second, the individual must terminate employment for good reason or the Company must terminate employment without cause within six months prior to or two years following the change in control event. Our stock option awards are also subject to double trigger vesting in the event of a change in control situation. Performance share units are paid out in cash on a prorated basis based on actual results achieved through the end of the fiscal quarter prior to a change in control. Thereafter, the executive would typically receive a replacement award of restricted stock units in the successor entity. We believe providing change in control protection encourages our named executives to pursue and facilitate transactions that are in the best interests of stockholders while not granting executives an undeserved windfall.

Deferral Plan. Each of our named executive officers is eligible to participate in our 409A Deferral Savings Plan and may elect to defer receipt of portions of their base salary and cash incentives in excess of the annual compensation limit established under Section 402(a)(17) of the Internal Revenue Code of 1985, as amended, the "Limit." As of 2015, the Limit was \$265,000. The plan provides that eligible employees may defer for payment at a future date (i) up to 25% of base salary and up to 100% of annual cash incentives payable after the aggregate of such compensation components reaches the Limit; (ii) receipt of any restricted stock units ("RSUs," which are not currently a component of our named executives' compensation); and (iii) receipt of any PSUs. The Company match provided under the 409A Deferral Plan is dollar for dollar on the employee's deferrals, up to 3% of the employee's aggregate base salary and cash incentives in excess of the Limit, and fifty cents on the dollar on the employee's deferrals, up to 6% of the employee's aggregate base salary and cash incentives in excess of the Limit. Additional deferral contributions will not be matched but will be tax-deferred. Amounts deferred under this plan are allocated into accounts that mirror selected investment funds in our 401(k) Retirement Savings Plan, although the amounts deferred are not actually invested in the funds. There is no Company match on deferred RSUs or PSUs, but the Company makes a cash payment to eligible employees equal to dividends that would have been payable on the shares deferred. Participating employees generally can elect to receive distributions commencing six months after the employee leaves the Company in the form of annual installments or a lump sum payment. We believe that providing a program that allows and encourages planning for retirement is a key factor in our ability to attract and retain talent. Additional details on the plan can be found in the Nonqualified Deferred Compensation table and the footnotes to the table beginning on page 45.

Perquisites. The Company permits the President and Chief Executive Officer to use the Company's aircraft for business and personal travel whenever reasonably possible; provided, however, that personal use of the Company aircraft attributed to him that results in incremental cost to the Company shall not exceed 90 hours during any calendar year without approval from the Chairman of the MD&C Committee. Use of the Company's aircraft is permitted for other employees' personal use only with Chief Executive Officer approval in special circumstances, which seldom occurs. The value of our named executives' personal use of the Company's airplanes is treated as taxable income to the respective executive in accordance with IRS regulations using the Standard Industry Fare Level formula. This is a different amount than we disclose in the Summary Compensation Table, which is based on the SEC requirement to report the incremental cost to us of their use. We also reimburse the cost of physical examinations for our senior executives, as we believe it is beneficial to the Company to facilitate its executives receiving preventive healthcare. Other than as described in this section, we have eliminated all perquisites for our named executive officers.

How Named Executive Officer Compensation Decisions are Made

The MD&C Committee meets several times each year to perform its responsibilities as delegated by the Board of Directors and as set forth in the MD&C Committee's charter. These responsibilities include evaluating and approving the Company's compensation philosophy, policies, plans and programs for our named executive officers.

In the performance of its duties, the MD&C Committee regularly reviews the total compensation, including the base salary, target annual cash incentive award opportunities, long-term incentive award opportunities and other benefits, including potential severance payments for each of our named executive officers. At a regularly scheduled meeting each year, the MD&C Committee reviews our named executives' total compensation and compares that compensation to the competitive market, as discussed below. In the first quarter of each year, the MD&C Committee meets to determine salary increases, if any, for the named executive officers; verifies the results of the Company's performance for annual cash incentive and performance share unit calculations; reviews the individual annual cash incentive targets for the current year as a percent of base salary for each of the named executive officers; and makes decisions on granting long-term equity awards.

Compensation Consultant. The MD&C Committee uses several resources in its analysis of the appropriate compensation for the named executive officers. The MD&C Committee selects and employs an independent consultant to provide advice relating to market and general compensation trends. The MD&C Committee also uses the services of its independent consultant for data gathering and analyses. The MD&C Committee has retained Frederic W. Cook & Co., Inc. as its independent consultant since 2002. The Company makes regular payments to Frederic W. Cook for its services around executive compensation, including meeting preparation and attendance, advice, and best practice information, as well as competitive data. Information about such payments is submitted to the chair of the MD&C Committee.

In addition to services related to executive compensation, Frederic W. Cook also provides the MD&C Committee information and advice with respect to compensation of the independent directors. Frederic W. Cook has no other business relationships with the Company and receives no other payments from the Company. The MD&C Committee adopted a charter provision requiring that it consider the independence of any compensation consultants it uses for executive compensation matters. The MD&C Committee has considered the independence of Frederic W. Cook in light of SEC rules and New York Stock Exchange listing standards. In connection with this process, the MD&C Committee has reviewed, among other items, a letter from Frederic W. Cook addressing the independence of Frederic W. Cook and the members of the consulting team serving the MD&C Committee, including the following factors: (i) other services provided to us by Frederic W. Cook; (ii) fees paid by us as a percentage of Frederic W. Cook's total revenue; (iii) policies or procedures of Frederic W. Cook that are designed to prevent conflicts of interest; (iv) any business or personal relationships between the senior advisor of the consulting team with a member of the MD&C Committee; (v) any Company stock owned by the senior advisor or any member of his immediate family; and (vi) any business or personal relationships between our executive officers and the senior advisor. The MD&C Committee discussed these considerations and concluded that the work performed by Frederic W. Cook and its senior advisor involved in the engagement did not raise any conflict of interest.

Role of CEO and Human Resources. Mr. Steiner contributes to compensation determinations by assessing the performance of the other named executive officers and providing these assessments with recommendations to the MD&C Committee. Personnel within the Company's Human Resources Department assist the MD&C Committee by working with the independent consultant to provide information requested by the MD&C Committee and assisting it in designing and administering the Company's incentive programs.

Peer Company Comparisons. The MD&C Committee uses compensation information of comparison groups of companies to gauge the competitive market, which is relevant for attracting and retaining key talent and for ensuring that the Company's compensation practices are aligned with prevalent practices. For purposes of establishing the 2015 executive compensation program, the MD&C Committee considered a competitive analysis of total direct compensation levels and compensation mixes for our executive officers during the second half of 2014, using information from:

- Size-adjusted median compensation data from two general industry surveys in which management annually participates; the Aon Hewitt 2014 Total Compensation Measurement (TCM) survey and the

Towers Watson 2014 Compensation Data Bank (CDB) survey. The AonHewitt TCM survey includes 489 companies ranging in size from \$100 million to over \$100 billion in annual revenue. The Towers Watson CDB survey includes 446 organizations ranging in size from \$100 million to over \$100 billion in annual revenue. Data selected from these surveys is scoped based on Company revenue; and

- Median compensation data from a comparison group of 19 publicly traded U.S. companies, described below.

The comparison group of companies is initially recommended by the independent consultant prior to the actual data gathering process, with input from management and the MD&C Committee. The composition of the group is evaluated and a final comparison group of companies is approved by the MD&C Committee each year. The selection process for the comparison group begins with all companies in the Standard & Poor's North American database that are publicly traded U.S. companies in 15 different Global Industry Classifications. These industry classifications are meant to provide a collection of companies in industries that share similar characteristics with Waste Management. The companies are then limited to those with at least \$5 billion in annual revenue to ensure appropriate comparisons, and further narrowed by choosing those with asset intensive domestic operations, as well as those focusing on transportation and logistics. Companies with these characteristics are chosen because the MD&C Committee believes that it is appropriate to compare our executives' compensation with executives that have similar responsibilities and challenges at other companies. Prior to establishing compensation for 2015, the MD&C Committee received a statistical analysis of the growth profile, profitability profile, size and shareholder return of all companies in the comparison group to verify that the Company is appropriately positioned versus the comparison group. The comparison group used for consideration of 2015 compensation follows, including the Company's composite percentile ranking among the companies in the comparison group based on statistical measures. For purposes of this table, "size" is based on numerous factors as of December 31, 2013; "profitability" and "growth" are based on numerous factors measured over a one-year period and three-year period ended December 31, 2013; and "TSR" is based on the companies' average TSR percentile ranking for a one-year period and three year-period as of December 31, 2013. This table is provided to reflect how the MD&C Committee confirmed that the Company was appropriately positioned within its peer group for purposes of establishing 2015 compensation during 2014; as a result, the information that follows does not reflect the Company's performance for 2014 or 2015.

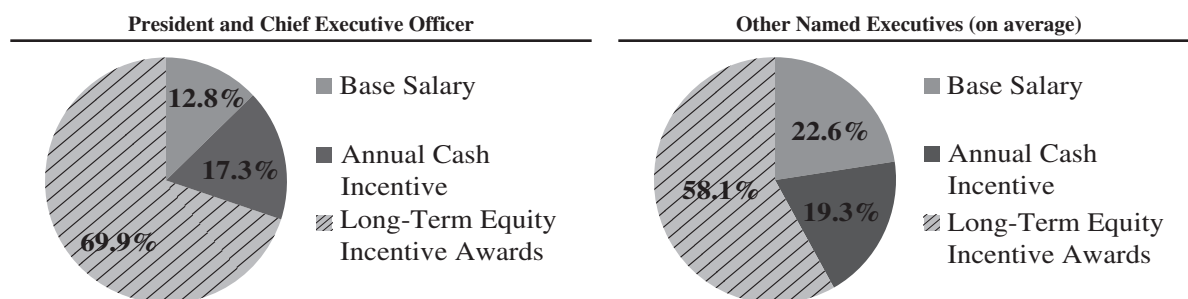
<u>Company Name</u>	<u>Composite Percentile Rank</u>			
	<u>Size</u>	<u>Profitability</u>	<u>Growth</u>	<u>TSR</u>
American Electric Power	56%	39%	45%	33%
Avis Budget	14%	36%	55%	100%
Baker Hughes	66%	36%	71%	28%
C.H. Robinson WW	11%	59%	41%	0%
CSX	57%	72%	36%	53%
Entergy	38%	23%	24%	11%
FedEx	80%	46%	48%	72%
Grainger (WW)	20%	66%	72%	64%
Halliburton	76%	70%	58%	44%
Hertz	31%	47%	86%	92%
NextEra Energy	67%	43%	45%	56%
Norfolk Southern	54%	65%	41%	75%
Republic Services	32%	36%	31%	19%
Ryder System	9%	12%	52%	64%
Southern	73%	57%	38%	14%
Southwest Airlines	43%	26%	60%	69%
Sysco	51%	53%	33%	31%
Union Pacific	87%	85%	71%	64%
UPS	83%	81%	46%	61%
Waste Management	46%	52%	29%	42%

For purposes of each of the named executives, the general industry data and the comparison group data are blended when composing the competitive analysis, when possible, such that the combined general industry data and the comparison group are each weighted 50%. Competitive compensation analysis for the other executive officers consists only of an average of size-adjusted median general industry survey data. The competitive analysis showed that 2015 total direct compensation opportunities were near the median for our President and Chief Executive Officer and did not exceed the median for our other named executive officers. For competitive comparisons, the MD&C Committee has determined that total direct compensation packages for our named executive officers within a range of plus or minus 20% of the median total compensation of the competitive analysis is appropriate. In making these determinations, total direct compensation consists of base salary, target annual cash incentive, and the annualized grant date fair value of long-term equity incentive awards.

Allocation of Compensation Elements and Tally Sheets. The MD&C Committee considers the forms in which total compensation will be paid to executive officers and seeks to achieve an appropriate balance between base salary, annual cash incentive compensation and long-term incentive compensation. The MD&C Committee determines the size of each element based primarily on comparison group data and individual and Company performance. The percentage of compensation that is contingent on achievement of performance criteria typically increases in correlation to an executive officer's responsibilities within the Company, with performance-based incentive compensation making up a greater percentage of total compensation for our most senior executive officers. Additionally, as an executive becomes more senior, a greater percentage of the executive's compensation shifts away from short-term to long-term incentive awards.

The MD&C Committee uses tally sheets to review the compensation of our named executive officers, which show the cumulative impact of all elements of compensation. These tally sheets include detailed information and dollar amounts for each component of compensation, the value of all equity held by each named executive, and the value of welfare and retirement benefits and severance payments. Tally sheets provide the MD&C Committee with the relevant information necessary to determine whether the balance between long-term and short-term compensation, as well as fixed and variable compensation, is consistent with the overall compensation philosophy of the Company. This information is also useful in the MD&C Committee's analysis of whether total direct compensation provides a compensation package that is appropriate and competitive. Tally sheets are provided annually to the full Board of Directors.

The following charts display the allocation of total 2015 compensation among base salary, annual cash incentive at target and long-term incentives at target for (a) our President and Chief Executive Officer and (b) our other named executives, on average. These charts reflect the MD&C Committee's 2015 desired total mix of target compensation for named executives, which includes approximately 58% of total compensation derived from long-term equity awards, while long-term equity awards comprise approximately 70% of Mr. Steiner's total compensation. These charts also reflect that approximately 87% of Mr. Steiner's target total compensation opportunities awarded in 2015 were performance-based, while approximately 77% of the target total compensation for the other named executives was performance-based. We consider stock options granted under our long-term incentive plan to be performance-based because their value will increase as the market value of our Common Stock increases.



Internal Pay Equity. The MD&C Committee considers the differentials between compensation of the named executive officers. The MD&C Committee also reviews compensation comparisons between the President and Chief Executive Officer and the other executive officers, while recognizing the additional responsibilities of the President and Chief Executive Officer and that such differentials will increase in periods of above-target performance and decrease in times of below-target performance. Based on these considerations, the MD&C Committee confirms that the compensation paid to the President and Chief Executive Officer is reasonable compared to that of the other executive officers.

Policy on Calculation Adjustments. In 2014, the MD&C Committee adopted a policy on calculation adjustments that affect payouts under annual and long-term incentive awards. Consistent with past practice, the MD&C Committee reserves the right to adjust the results on performance measures used to determine annual and long-term incentive plan payouts in order to eliminate the distorting effect of certain items. Such adjustments are intended to align award payments with the underlying performance of the business; avoid volatile, artificial inflation or deflation of awards due to unusual items in either the award year or the previous comparator year; and eliminate counterproductive incentives to pursue short-term gains and protect current incentive opportunities. To ensure the integrity of the adjustments, the MD&C Committee has adopted guidelines that are generally consistent with the Company's guidelines for reporting adjusted non-GAAP earnings to the investment community, while retaining discretion to evaluate all adjustments, both income and expense, as circumstances warrant. Additionally, the MD&C Committee has determined that potential adjustments arising from a single transaction or event generally should be disregarded unless, taken together, they change the calculated award payout by at least five percent.

Tax and Accounting Matters. Section 162(m) of the Internal Revenue Code of 1985, as amended ("Code Section 162(m)"), denies a compensation deduction for federal income tax purposes for certain compensation in excess of \$1 million per person paid in any year to our President and Chief Executive Officer and our other three highest paid executives. "Performance-based" compensation meeting specified standards is deductible without regard to the \$1 million cap. We design our compensation plans to be tax efficient for the Company where possible. However, our MD&C Committee reserves the right to structure the compensation of our executive officers without regard for whether the compensation is fully deductible if, in the MD&C Committee's judgment, it is in the best interests of the Company and stockholders to do so.

The annual cash incentive plan is intended to comply with the performance-based compensation exemption under Code Section 162(m) by allowing the MD&C Committee to set performance criteria for payments, which may not exceed the predetermined amount of 0.5% of the Company's pre-tax income from operations per participant. Our performance share unit awards are also intended to meet the qualified performance-based compensation exception under Code Section 162(m).

Section 409A of the Internal Revenue Code of 1986, as amended ("Code Section 409A"), generally provides that any deferred compensation arrangement which does not meet specific requirements will result in immediate taxation of any amounts deferred to the extent not subject to a substantial risk of forfeiture. In general, to avoid a Code Section 409A violation, amounts deferred may only be paid out on separation from service, disability, death, a specified time or fixed schedule, a change in control or an unforeseen emergency. Furthermore, the election to defer generally must be made in the calendar year prior to performance of services. We intend to structure all of our compensation arrangements, including our 409A Deferral Plan, in a manner that complies with or is exempt from Code Section 409A.

We account for stock-based payments, including stock options and PSUs, in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation. The MD&C Committee takes into consideration the accounting treatment under ASC Topic 718 when determining the form and amount of annual long-term equity incentive awards. However, because our long-term equity incentive awards are based on a target dollar value established prior to grant (described in further detail under "Named Executives' 2015 Compensation Program and Results — Long-Term Equity Incentives"), this "value" will differ from the grant date fair value of awards calculated pursuant to ASC Topic 718.

Risk Assessment. The MD&C Committee uses the structural elements set forth in the Executive Summary earlier to establish compensation that will provide sufficient incentives for named executive officers to drive results while avoiding unnecessary or excessive risk taking that could harm the long-term value of the Company. During 2015, the MD&C Committee reviewed the Company's compensation policies and practices and the assessment and analysis of related risk conducted by the independent compensation consultant. Based on this review and analysis, the MD&C Committee and the independent compensation consultant concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Consideration of Stockholder Advisory Vote on Executive Compensation. The MD&C Committee reviews the results of the stockholder advisory vote on executive compensation and considers any implications of such voting results on the Company's compensation programs. In light of the very high percentage of shares present and entitled to vote at the annual meeting voting in favor of the Company's executive compensation the past five years, the results of the stockholder advisory votes have not caused the MD&C Committee to recommend any changes to our compensation practices.

Named Executives' 2015 Compensation Program and Results

Base Salary

In the Spring of 2015, the Company granted increases to the base salaries of named executive officers consistent with our compensation philosophy and driven by competitive market data, internal pay equity considerations and individual performance relative to the executive's responsibilities and contributions. The table below shows 2014 base salary, percent increase and 2015 base salary for each of our named executive officers.

<u>Named Executive Officer</u>	<u>2014 Base Salary</u>	<u>Percent Increase</u>	<u>2015 Base Salary</u>
Mr. Steiner	\$1,196,165	3.7%	\$1,240,000
Mr. Trevathan	\$ 630,000	5.0%	\$ 661,500
Mr. Fish	\$ 566,500	10.0%	\$ 623,150
Mr. Harris	\$ 566,175	5.1%	\$ 595,000
Mr. Morris	\$ 522,500	11.0%	\$ 580,000

Annual Cash Incentive

- *Annual cash incentives were dependent on the following performance measures: Income from Operations as a percentage of Revenue, or Income from Operations Margin (25%); Income from Operations, excluding Depreciation and Amortization (25%); and Operating Expense, less depreciation, depletion and amortization, as a percentage of Net Revenue, or Cost Measure (50%).*
- *Each of the named executives received an annual cash incentive payment in March 2016 for fiscal year 2015 equal to 108.5% of target.*

The MD&C Committee develops financial performance measures for annual cash incentive awards to drive improvements in business operations, as well as support and fund the long-term strategy of the Company. The MD&C Committee found that the Income from Operations Margin performance measure continues to keep the Company focused on cost control, operational improvements and yield, while the Income from Operations, excluding Depreciation and Amortization, performance measure encourages balanced focus on growth and profitability. Finally, the MD&C Committee maintained the Cost Measure in 2015 and its focus on operating cost control, after successfully driving reductions in operating cost the prior year. When setting threshold, target and maximum performance measure levels each year, the MD&C Committee looks to the Company's historical results of operations and analyses and forecasts for the coming year. Specifically, the MD&C Committee considers expected revenue based on analyses of pricing and volume trends, as affected by operational and general economic factors and expected costs. The MD&C Committee believes these financial performance measures support and align with the strategy of the Company and are appropriate indicators of our progress toward the Company's goals.

The table below details the performance measures set by the MD&C Committee for purposes of the named executive officers' annual cash incentive for 2015.

	Threshold Performance (60% Payment)	Target Performance (100% Payment)	Maximum Performance (200% Payment)
Income from Operations Margin	15.8%	16.5%	17.2%
Income from Operations excluding Depreciation & Amortization	\$3.349 billion	\$3.57 billion	\$3.77 billion
Cost Measure	61.4%	60.5% - 60.9%	59.9%

The following table sets forth the Company's performance achieved on each of the annual cash incentive performance measures and the payout earned on account of such performance.

Income from Operations Margin (weighted 25%)		Income from Operations, excluding Depreciation & Amortization (weighted 25%)		Cost Measure (weighted 50%)		Total Payout Earned (as a percentage of Target)
Actual	Payout Earned	Actual	Payout Earned	Actual	Payout Earned	
16.9%	158.17%	\$3.436 billion	75.83%	60.55%	100.0%	108.5%

As discussed above, the MD&C Committee has discretion to make adjustments to the performance calculations for unusual or otherwise non-operational matters in line with its policy on calculation adjustments. The calculation of 2015 annual cash incentive performance measures was made on a basis consistent with the Company's reporting of its 2015 financial results, including exclusion of asset impairments and unusual items, restructuring charges and settlement payments in connection with withdrawal from multiemployer pension plans. The 2015 cash incentive performance calculations were not otherwise adjusted.

Target annual cash incentives are a specified percentage of the executives' base salary. The following table shows each named executive's target percentage of base salary for 2015 and annual cash incentive for 2015 paid in March 2016.

Named Executive Officer	Target Percentage of Base Salary	Annual Cash Incentive For 2015¹
Mr. Steiner	135	\$1,800,986
Mr. Trevathan	90	\$ 638,623
Mr. Fish	90	\$ 595,320
Mr. Harris ²	80	\$ 510,496
Mr. Morris ²	80	\$ 491,544

- (1) Base salary increases for 2015 were not implemented until Spring of 2015; accordingly, the calculations of annual cash incentive payouts, as a percentage of base salary, were made using the named executive's actual base salary for 2015.
- (2) For 2015, the target percentage of base salary was increased from 75% to 80% for Messrs. Harris and Morris. These changes were made to better position the executives around the competitive median and to reflect their contributions.

Long-Term Equity Incentives — Our equity awards are designed to hold individuals accountable for long-term decisions by rewarding the success of those decisions. The MD&C Committee continuously evaluates the components of its programs. In determining which forms of equity compensation are appropriate, the MD&C Committee considers whether the awards granted are achieving their purpose; the competitive market; and accounting, tax or other regulatory issues, among others. In determining the appropriate awards for the named executives' 2015 annual long-term incentive grant, the MD&C Committee decided to grant both PSUs comprising 80% of each named executive's award and stock options comprising 20% of each named executive's award. Payout on half of each named executives' PSUs granted in 2015 is dependent on cash flow generation. Payout on the remaining half of PSUs granted in 2015 is dependent on total shareholder return relative to the S&P 500. Meanwhile, stock options encourage focus on increasing the market value of our stock. Before determining the actual number of PSUs and stock options that were granted to each of the named executives in 2015, the MD&C Committee established a target dollar amount for each named executive's annual total long-term equity incentive award. The values chosen were based primarily on the comparison information for the competitive market and an analysis of the named executives' responsibility for meeting the Company's strategic objectives. Target dollar amounts for equity incentive awards will vary from grant date fair values calculated for accounting purposes.

<u>Named Executive Officer</u>	<u>Dollar Values of Annual Long-Term Equity Incentives Set by the Committee (at Target)</u>
Mr. Steiner	\$6,750,000
Mr. Trevathan	\$1,725,000
Mr. Fish	\$1,725,000
Mr. Harris	\$1,440,000
Mr. Morris	\$1,440,000

Performance Share Units

- *Named executives were granted new PSUs with a three-year performance period ending December 31, 2017.*
- *Payout on half of each named executives' PSUs granted in 2015 is dependent on cash flow generation, and payout on the remaining half of PSUs granted in 2015 is dependent on total shareholder return relative to the S&P 500.*
- *Named executives received a 196.15% payout in shares of Common Stock with respect to the half of the PSUs granted in 2013 with a performance period ended December 31, 2015 that were subject to a return on invested capital performance measure.*
- *Named executives received a 132.88% payout in shares of Common Stock with respect to the half of the PSUs granted in 2013 with a performance period ended December 31, 2015 that were subject to total shareholder return relative to the S&P 500.*

PSUs Granted in 2015. Performance share units are granted to our named executive officers annually to align compensation with the achievement of our long-term financial goals and to build stock ownership. Performance share units provide an immediate retention value to the Company because there is unvested potential value at the date of grant. The number of PSUs granted to our named executive officers corresponds to an equal number of shares of Common Stock. At the end of the three-year performance period for each grant, the Company will deliver a number of shares ranging from 0% to 200% of the initial number of PSUs granted, depending on the Company's three-year performance against pre-established targets.

The MD&C Committee determined the number of PSUs that were granted to each of the named executives in 2015 by taking the targeted dollar amounts established for total long-term equity incentives (set forth in the table above) and multiplying by 80%. Those values were then divided by the average of the high and low price of our Common Stock over the 30 trading days preceding the MD&C Committee meeting at which the grants were approved to determine the target number of PSUs granted. The number of PSUs granted in 2015 are shown in the table below.

<u>Named Executive Officer</u>	<u>Number of Performance Share Units</u>
Mr. Steiner	101,886
Mr. Trevathan	26,038
Mr. Fish	26,038
Mr. Harris	21,736
Mr. Morris	21,736

Half of each named executive's PSUs included in the table set forth above are subject to a cash flow performance measure; the cash flow measure requires focus on capital discipline and strengthens alignment with stockholders' free cash flow expectations. For purposes of these PSUs, we generally define cash flow as cash provided by operating activities, with the following exclusions: capital expenditures for purposes of internal growth; costs associated with labor disruptions; and strategic acquisition, restructuring, and transformation and reorganization costs. The MD&C Committee retains the right to make additional adjustments to the calculation of cash flow, as discussed previously with regard to its policy on calculation adjustments.

The table below shows the required achievement of the cash flow performance measure and the corresponding potential payouts under our PSUs granted in 2015.

	<u>Threshold</u>		<u>Target</u>		<u>Maximum</u>	
	<u>Performance</u>	<u>Payout</u>	<u>Performance</u>	<u>Payout</u>	<u>Performance</u>	<u>Payout</u>
Cash Flow	\$3.533 billion	60%	\$3.833 billion	100%	\$4.133 billion	200%

The remaining half of each named executive's PSUs are subject to total shareholder return relative to the S&P 500. This measure directly correlates executive compensation with creation of shareholder value. Total shareholder return is calculated as follows: (Common Stock price at end of performance period – Common Stock price at beginning of performance period + dividends during performance period) / Common Stock price at beginning of performance period. The table below shows the required achievement of the total shareholder return performance measure and the corresponding potential payouts under our PSUs granted in 2015.

<u>Total Shareholder Return Relative to the S&P 500</u>	
<u>Performance</u>	<u>Payout</u>
75 th percentile (Maximum)	200%
50 th percentile (Target)	100%
25 th percentile (Threshold)	50%

If actual performance falls between performance levels for either of the PSU performance measures, then the number of PSUs earned will be interpolated between the two performance levels, rounded to the nearest 0.1%.

The different performance measure levels are determined based on an analysis of historical performance and current projections and trends. The MD&C Committee uses this analysis and modeling of different scenarios related to items that affect the Company's performance such as yield, volumes and capital to set the performance measures. As with the consideration of targets for the annual cash incentives, when the MD&C Committee established the cash flow targets, the MD&C Committee carefully considered several material factors affecting the Company for 2015 and beyond, including general economic and market conditions and economic indicators for future periods, to ensure that the cash flow targets align with the Company's long-range strategic plan.

Payout on PSUs for the Performance Period Ended December 31, 2015. Half of the PSUs granted in 2013 with the performance period ended December 31, 2015 were subject to a return on invested capital ("ROIC")

performance measure, and the remaining half of the PSUs granted in 2013 were subject to total shareholder return relative to the S&P 500. For the performance period ended December 31, 2015, the Company delivered ROIC of 17.5%, which was significantly above target performance of 16.0% and approaching the maximum of 17.6%; the performance level achieved yielded a 196.15% payout in shares of Common Stock that were issued in February 2016. For purposes of this performance measure, ROIC is generally defined as net operating profit after taxes divided by capital, and this measure has reinforced the need for capital discipline. With respect to the PSUs with a performance period ended December 31, 2015 that were subject to total shareholder return relative to the S&P 500, the performance of the Company's Common Stock on this measure translated into a percentile rank relative to the S&P 500 of 66.44%, resulting in a 132.88% payout in shares of Common Stock that were issued in February 2016.

As discussed above, the MD&C Committee has discretion to make adjustments to the performance calculations for unusual or otherwise non-operational matters. In February 2016, the MD&C Committee ratified and approved adjustments to the calculation of ROIC results for 2013 that had been approved in prior years, as follows: net operating profit after taxes used in the calculation of results was adjusted to exclude the effects of charges related to acquisition and integration, and earnings on account of, the acquired Greenstar and RCI businesses; capital used in the calculation of results was adjusted to exclude the impact of the purchase price for each of Greenstar and RCI, less associated goodwill; and stockholders' equity used in the calculation of capital excludes the impact of prior year tax audit settlements. In line with the MD&C Committee's policy on calculation adjustments adopted in 2014, no adjustments were made to the calculation of ROIC results for 2014 or 2015.

Stock Options — The MD&C Committee believes use of stock options is appropriate to support the growth element of the Company's strategy. The grant of options made to the named executive officers in the first quarter of 2015 in connection with the annual grant of long-term equity awards was based on the targeted dollar amounts established for total long-term equity incentives (set forth in the table above) and multiplied by 20%. The actual number of stock options granted was determined by assigning a value to the options using an option pricing model, and dividing the dollar value of target compensation by the value of an option. The resulting number of stock options are shown in the table below.

<u>Named Executive Officer</u>	<u>Number of Options</u>
Mr. Steiner	236,427
Mr. Trevathan	60,420
Mr. Fish	60,420
Mr. Harris	50,438
Mr. Morris	50,438

The stock options will vest in 25% increments on the first two anniversaries of the date of grant and the remaining 50% will vest on the third anniversary. The exercise price of the options granted in 2015 is \$54.635, which is the average of the high and low market price of our Common Stock on the date of grant, and the options have a term of 10 years. We account for our employee stock options under the fair value method of accounting using a Black-Scholes methodology to measure stock option expense at the date of grant. The fair value of the stock options at the date of grant is amortized to expense over the vesting period less expected forfeitures, except for stock options granted to retirement-eligible employees, for which expense is accelerated over the period that the recipient becomes retirement eligible.

Other Compensation Policies and Practices

Stock Ownership Guidelines and Holding Requirements — All of our named executive officers are subject to stock ownership guidelines. We instituted stock ownership guidelines because we believe that ownership of Company stock demonstrates a commitment to, and confidence in, the Company's long-term prospects and further aligns employees' interests with those of our stockholders. We believe that the requirement that these individuals maintain a portion of their individual wealth in the form of Company stock deters actions that would not benefit stockholders generally. Although there is no deadline set for executives to reach their ownership

requirements, the MD&C Committee monitors ownership levels to confirm that executives are making sustained progress toward achievement of their ownership guidelines.

Additionally, our stock ownership guidelines contains holding requirements. Executives with a title of Senior Vice President or higher, which includes all of our named executives, must hold 100% of all net shares acquired through the Company's long-term incentive plans for at least one year, and those individuals must continue to hold 100% of all such net shares until the individual's ownership guideline requirement is achieved. Designated Vice Presidents must hold 50% of all net shares acquired through the Company's long-term incentive plans for at least one year, and those individuals must continue to hold 50% of all such net shares until the individual's ownership guideline requirement is achieved. Once achieved, the requisite stock ownership level must continue to be retained throughout the executive's employment with the Company. Our MD&C Committee believes these holding periods discourage executives from taking actions in an effort to gain from short-term or otherwise fleeting increases in the market value of our stock.

The MD&C Committee regularly reviews its ownership guidelines to ensure that the appropriate share ownership requirements are in place. Guidelines are expressed as a fixed number of shares and were last revised in May 2014 to account for the Company's recent sustained Common Stock market value. The ownership requirement of our Chief Executive Officer and President is approximately 5.6 times base salary, using his 2015 base salary and a \$40 per share stock price. Using the closing price of the Company's Common Stock on March 15, 2016, the ownership requirement of our Chief Executive Officer and President is approximately eight and a half times his 2015 base salary. Shares owned outright, vested RSUs and PSUs that have been deferred, stock equivalents based on holdings in the Company's 401(k) Retirement Savings Plan and phantom stock held in the Company's 409A Deferral Plan count toward meeting the targeted ownership requirements. PSUs, RSUs and restricted stock, if any, do not count toward meeting the requirement until they are vested or earned.

The following table outlines the ownership requirements and attainment of those requirements for the named executive officers.

<u>Named Executive Officer</u>	<u>Ownership Requirement (number of shares)</u>	<u>Attainment as of March 15, 2016</u>
Mr. Steiner ¹	179,500	431%
Mr. Trevathan	47,500	626%
Mr. Fish	42,500	260%
Mr. Harris	23,000	384%
Mr. Morris	23,000	203%

- (1) The table above does not include 343,294 shares held in the name of Steiner Family Holdings, LLC that are pledged as security for a loan. Since such pledge was made, the Company has adopted a policy prohibiting future pledges of Company securities by executive officers without board-level approval and requiring that such pledged shares are not required to meet the executive's ownership requirement under the ownership guidelines.

As discussed under "Director and Officer Stock Ownership," the MD&C Committee also establishes ownership guidelines for the independent directors and performs regular reviews to ensure all independent directors are in compliance or are showing sustained progress toward achievement of their ownership guideline.

Policy Limiting Severance Benefits — The MD&C Committee has approved an Executive Officer Severance Policy that generally provides that the Company may not enter into new severance arrangements with its executive officers, as defined in the federal securities laws, that provide for benefits, less the value of vested equity awards and benefits provided to employees generally, in an amount that exceeds 2.99 times the executive officer's then current base salary and target annual cash incentive, unless such future severance arrangement receives stockholder approval.

Policy Limiting Death Benefits and Gross-up Payments — The Company has adopted a "Policy Limiting Certain Compensation Practices," which generally provides that the Company will not enter into new compensation arrangements that would obligate the Company to pay a death benefit or gross-up payment to an

executive officer unless such arrangement receives stockholder approval. The policy is subject to certain exceptions, including benefits generally available to management-level employees and any payment in reasonable settlement of a legal claim. Additionally, “Death Benefits” under the policy does not include deferred compensation, retirement benefits or accelerated vesting or continuation of equity-based awards pursuant to generally-applicable equity award plan provisions.

Insider Trading — The Company maintains an insider trading policy that prohibits directors, executive officers and other “designated insiders” from engaging in most transactions involving the Company’s Common Stock during periods, determined by the Company, that those individuals are most likely to be aware of material, non-public information. “Designated insiders” are employees who have been designated as such for purposes of the Company’s insider trading policy because they are likely to have access to material non-public information; this group currently includes approximately 125 employees, primarily in a wide range of financial, accounting and managerial positions. Directors, executive officers and other designated insiders must clear all of their transactions in our Common Stock with the Company’s office of the Chief Legal Officer in advance. Additionally, it is our policy that directors, executive officers and designated insiders are not permitted to hedge their ownership of Company securities, including (a) trading in options, warrants, puts and calls or similar derivative instruments on any security of the Company, (b) selling any security of the Company “short” and (c) purchasing any financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds) or otherwise engaging in transactions that are designed to or have the effect of offsetting any decrease in the market value of any security of the Company granted as compensation or held, directly or indirectly, by the director, executive officer or designated insider. Further, as noted above, the Company has adopted a policy prohibiting future pledges of Company securities by executive officers without board-level approval and requiring that such pledged shares are not required to meet the executive’s ownership requirement under the ownership guidelines.

EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION TABLES

We are required to present compensation information in the tabular format prescribed by the SEC. This format, including the tables' column headings, may be different from the way we describe or consider elements and components of compensation internally. The Compensation Discussion and Analysis contains a discussion that should be read in conjunction with these tables to gain a complete understanding of our executive compensation philosophy, programs and decisions.

Summary Compensation Table

Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
David P. Steiner President and Chief Executive Officer							
2015	1,275,891	—	6,760,136	1,307,441	1,800,986	428,921	11,573,375
2014	1,186,785	—	5,328,822	1,233,147	2,626,505	395,597	10,770,856
2013	1,149,616	—	5,692,630	1,201,794	2,387,194	295,348	10,726,582
James E. Trevathan, Jr. Executive Vice President and Chief Operating Officer							
2015	678,462	—	1,727,621	334,123	638,623	77,368	3,456,197
2014	621,923	—	1,278,954	295,956	918,083	60,961	3,175,877
2013	588,334	—	1,185,964	250,372	769,756	12,632	2,807,058
James C. Fish, Jr. Executive Vice President and Chief Financial Officer							
2015	631,865	—	1,727,621	334,123	595,320	49,060	3,337,989
2014	552,635	—	1,278,954	295,956	816,830	36,319	2,980,694
2013	509,808	—	1,107,205	233,750	666,540	93,318	2,610,621
Jeff M. Harris Senior Vice President — Operations							
2015	610,124	—	1,442,184	278,922	510,496	62,786	2,904,512
2014	562,458	—	1,023,145	236,766	691,457	32,419	2,546,245
2013	546,798	—	1,012,324	213,720	630,795	36,175	2,439,812
John J. Morris, Jr. Senior Vice President — Operations							
2015	586,827	—	1,442,184	278,922	491,544	64,356	2,863,833
2014	509,711	—	1,023,145	236,766	627,822	47,315	2,444,759
2013	449,038	—	822,601	173,659	519,843	26,121	1,991,262

(1) Amounts in this column represent the grant date fair value of performance share units granted to all named executives in 2013, 2014 and 2015. The grant date fair values are calculated in accordance with the Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 718, as further described in Note 16 in the Notes to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K.

For purposes of calculating the grant date fair value of performance share awards, we have assumed that the Company will achieve target performance levels. The table below shows the aggregate grant date fair value of performance share units if we had assumed that the Company will achieve the highest level of performance criteria and maximum payouts will be earned.

	Year	Aggregate Grant Date Fair Value of Award Assuming Highest Level of Performance Achieved (\$)
Mr. Steiner	2015	13,520,272
	2014	10,657,644
	2013	11,385,260
Mr. Trevathan	2015	3,455,242
	2014	2,557,908
	2013	2,371,928
Mr. Fish	2015	3,455,242
	2014	2,557,908
	2013	2,214,410
Mr. Harris	2015	2,884,368
	2014	2,046,290
	2013	2,024,648
Mr. Morris	2015	2,884,368
	2014	2,046,290
	2013	1,645,202

- (2) Amounts in this column represent the grant date fair value of stock options granted in 2013, 2014 and 2015, in accordance with ASC Topic 718. The grant date fair value of the options was estimated using the Black-Scholes option pricing model. The assumptions made in determining the grant date fair values of options are disclosed in Note 16 in the Notes to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K.
- (3) Amounts in this column represent cash incentive awards earned and paid based on the achievement of performance criteria. Please see “Compensation Discussion and Analysis — Named Executive’s 2015 Compensation Program and Results — Annual Cash Incentive” for additional information.
- (4) The amounts included in “All Other Compensation” for 2015 are shown below (in dollars):

	Personal Use of Company Aircraft ^(a)	401(k) Plan Matching Contributions	Deferral Plan Matching Contributions	Life Insurance Premiums
Mr. Steiner	247,413	11,925	167,126	2,457
Mr. Trevathan	3,200	11,925	60,950	1,293
Mr. Fish	—	11,925	35,963	1,172
Mr. Harris	—	11,925	49,691	1,170
Mr. Morris	2,784	11,925	48,564	1,083

- (a) Please see “Compensation Discussion and Analysis — Overview of Elements of Our 2015 Compensation Program — Perquisites” for additional information regarding personal use of Company aircraft. We calculated these amounts based on the incremental cost to us, which includes fuel, crew travel expenses, on-board catering, landing fees, trip related hangar/parking costs and other variable costs. We own or operate our aircraft primarily for business use; therefore, we do not include the fixed costs associated with the ownership or operation such as pilots’ salaries, purchase costs and non-trip related maintenance.

Grant of Plan-Based Awards in 2015

Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All other Option Awards: Number of Securities Underlying Options ^(#) ⁽³⁾	Exercise or Base Price of Option Awards (\$/sh) ⁽⁴⁾	Closing Market Price on Date of Grant (\$)	Grant Date Fair Value of Stock and Option Awards ^(\$) ⁽⁵⁾
	Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
David P. Steiner										
	995,937	1,659,895	3,319,790							
02/25/15				61,132	101,886	203,772				6,760,136
02/25/15							236,427	54.635	54.53	1,307,441
James E. Trevathan, Jr.										
	353,156	588,593	1,177,186							
02/25/15				15,623	26,038	52,076				1,727,621
02/25/15							60,420	54.635	54.53	334,123
James C. Fish, Jr.										
	329,209	548,682	1,097,364							
02/25/15				15,623	26,038	52,076				1,727,621
02/25/15							60,420	54.635	54.53	334,123
Jeff M. Harris										
	282,302	470,504	941,008							
02/25/15				13,042	21,736	43,472				1,442,184
02/25/15							50,438	54.635	54.53	278,922
John J. Morris, Jr.										
	271,822	453,036	906,072							
02/25/15				13,042	21,736	43,472				1,442,184
02/25/15							50,438	54.635	54.53	278,922

- (1) Actual payouts of cash incentive awards for 2015 performance are shown in the Summary Compensation Table under “Non-Equity Incentive Plan Compensation.” The named executives’ annual cash incentives are a percentage of base salary approved by the MD&C Committee. The threshold levels represent the bonus amounts that would have been payable if the minimum performance requirements were met for each performance measure. Please see “Compensation Discussion and Analysis — Named Executive’s 2015 Compensation Program and Results — Annual Cash Incentive” for additional information about these awards, including performance criteria.
- (2) Represents the number of shares of Common Stock potentially issuable based on the achievement of performance criteria under performance share unit awards granted under our 2014 Stock Incentive Plan. Please see “Compensation Discussion and Analysis — Named Executive’s 2015 Compensation Program and Results — Long-Term Equity Incentives — Performance Share Units” for additional information about these awards, including performance criteria. The performance period for these awards ends December 31, 2017. Performance share units earn dividend equivalents, which are paid out based on the number of shares actually earned, if any, at the end of the performance period.
- (3) Represents the number of shares of Common Stock potentially issuable upon the exercise of options granted under our 2014 Stock Incentive Plan. Please see “Compensation Discussion and Analysis — Named Executive’s 2015 Compensation Program and Results — Long-Term Equity Incentives — Stock Options” for additional information about these awards. The stock options will vest in 25% increments on the first two anniversaries of the date of grant and the remaining 50% will vest on the third anniversary. Although we consider all of our equity awards to be a form of incentive compensation because their value will increase as the market value of our Common Stock increases, only awards with performance criteria are considered “equity incentive plan awards” for SEC disclosure purposes. As a result, option awards are not included as “Equity Incentive Plan Awards” in the table above or the Outstanding Equity Awards at December 31, 2015 table.
- (4) The exercise price represents the average of the high and low market price on the date of the grant, in accordance with our 2014 Stock Incentive Plan.
- (5) These amounts represent grant date fair value of the awards as calculated under ASC Topic 718, as further described in Note 16 in the Notes to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K.

Outstanding Equity Awards at December 31, 2015

Name	Option Awards				Stock Awards ⁽¹⁾			
	Number of Securities Underlying Unexercised Options Exercisable (#) ⁽²⁾	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽⁶⁾	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽⁶⁾
David P. Steiner								
	—	236,427 ⁽³⁾	54.635	2/25/2025	—	—	218,166	23,287,039
	70,244	210,675 ⁽⁴⁾	41.37	3/7/2024	—	—	—	—
	141,386	141,389 ⁽⁵⁾	36.885	3/8/2023	—	—	—	—
	218,881	—	34.935	3/9/2022	—	—	—	—
	583,333	—	37.185	3/9/2021	—	—	—	—
	331,008	—	33.49	3/9/2020	—	—	—	—
James E. Trevathan, Jr.								
	—	60,420 ⁽³⁾	54.635	2/25/2025	—	—	53,946	5,758,196
	16,854	50,562 ⁽⁴⁾	41.37	3/7/2024	—	—	—	—
	—	29,457 ⁽⁵⁾	36.885	3/8/2023	—	—	—	—
James C. Fish, Jr.								
	—	60,420 ⁽³⁾	54.635	2/25/2025	—	—	53,946	5,758,196
	16,854	50,562 ⁽⁴⁾	41.37	3/7/2024	—	—	—	—
	27,500	27,500 ⁽⁵⁾	36.885	3/8/2023	—	—	—	—
Jeff M. Harris								
	—	50,438 ⁽³⁾	54.635	2/25/2025	—	—	44,062	4,703,178
	13,483	40,450 ⁽⁴⁾	41.37	3/7/2024	—	—	—	—
	25,142	25,145 ⁽⁵⁾	36.885	3/8/2023	—	—	—	—
John J. Morris, Jr.								
	—	50,438 ⁽³⁾	54.635	2/25/2025	—	—	44,062	4,703,178
	—	40,450 ⁽⁴⁾	41.37	3/7/2024	—	—	—	—
	—	20,431 ⁽⁵⁾	36.885	3/8/2023	—	—	—	—

(1) Values are based on the closing price of the Company's Common Stock on December 31, 2015 of \$53.37.

(2) Represents vested stock options granted on March 9, 2010, March 9, 2011, March 9, 2012, March 8, 2013 and March 7, 2014 pursuant to our 2009 Stock Incentive Plan.

(3) Represents stock options granted on February 25, 2015 that vest 25% on the first and second anniversary of the date of grant and 50% on the third anniversary of the date of grant pursuant to our 2014 Stock Incentive Plan.

(4) Represents stock options granted on March 7, 2014 that vested 25% on the first anniversary of the date of grant. An additional 25% will vest on the second anniversary of the date of grant and 50% will vest on the third anniversary of the date of grant.

(5) Represents stock options granted on March 8, 2013 that vested 25% on the first and second anniversary of the date of grant. The remaining 50% will vest on the third anniversary of the date of grant.

(6) Includes performance share units with three-year performance periods ending December 31, 2016 and December 31, 2017. Payouts on performance share units are made after the Company's financial results for the entire performance period are reported and the MD&C

Committee determines achievement of performance results and corresponding vesting, typically in mid to late February of the succeeding year. The performance share units for the performance period ended on December 31, 2015 are not included in the table as they are considered earned as of December 31, 2015 for proxy disclosure purposes; instead, such performance share units are included in the Option Exercises and Stock Vested table below. Pursuant to SEC disclosure instructions, because the Company's performance on the metrics governing our performance share units with the performance period ended on December 31, 2015 exceeded target, the payout value of unearned awards is calculated assuming maximum performance criteria is achieved. The following number of performance share units, assuming target performance, have a performance period ending on December 31, 2016: Mr. Steiner – 116,280; Mr. Trevathan – 27,908; Mr. Fish – 27,908; Mr. Harris 22,326, and Mr. Morris – 22,326. The following number of performance share units, assuming target performance, have a performance period ending December 31, 2017: Mr. Steiner – 101,886; Mr. Trevathan – 26,038; Mr. Fish – 26,038; Mr. Harris – 21,736; and Mr. Morris – 21,736.

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$)
David P. Steiner	—	—	216,063(2)	11,871,582
James E. Trevathan, Jr.	379,130(3)	6,524,405	45,013	2,473,239
James C. Fish, Jr.	151,255(4)	2,619,621	46,435(2)(7)	2,533,282
Jeff M. Harris	31,300(5)	471,744	44,483(7)	2,439,648
John J. Morris, Jr.	79,470(6)	1,386,442	43,343(7)	2,372,542

- (1) Includes shares of the Company's Common Stock issued on account of performance share units granted in 2013 with a performance period ended December 31, 2015. The determination of achievement of performance results and corresponding vesting of such performance share units was performed by the MD&C Committee in February 2016. Following such determination, shares of the Company's Common Stock earned under this award were issued on February 18, 2016, based on the average of the high and low market price of the Company's Common Stock on that date.
- (2) Mr. Steiner deferred receipt of 216,063 shares of Common Stock valued at \$11,871,582, and Mr. Fish deferred receipt of 42,023 shares of Common Stock valued at \$2,308,954, in each case, earned on account of performance share units with the performance period ended December 31, 2015. See "Compensation Discussion and Analysis — Overview of Elements of Our 2015 Compensation Program — Deferral Plan" and footnote (4) to the Nonqualified Deferral Compensation in 2015 table below for additional information.
- (3) Mr. Trevathan received 70,147 net shares, after payment of option costs and tax withholding.
- (4) Mr. Fish received 28,289 net shares, after payment of option costs and tax withholding.
- (5) Mr. Harris received 5,041 net shares, after payment of option costs and tax withholding.
- (6) Mr. Morris received 14,698 net shares, after payment of option costs and tax withholding.
- (7) Includes the following number of restricted stock units granted in 2012 in connection with certain promotions and increased responsibilities that vested on the third anniversary of the date of grant: Mr. Fish – 4,412; Mr. Harris – 6,061; and Mr. Morris – 12,121. The value of the RSUs realized on vesting was calculated using the average of the high and low market price of the Company's Common Stock of the date of vesting.

Nonqualified Deferred Compensation in 2015

Name	Executive Contributions in Last Fiscal Year (\$) ⁽¹⁾	Registrant Contributions in Last Fiscal Year (\$) ⁽²⁾	Aggregate Earnings in Last Fiscal Year (\$) ⁽³⁾	Aggregate Withdrawals/Distributions (\$) ⁽⁴⁾	Aggregate Balance at Last Fiscal Year End (\$) ⁽⁵⁾
David P. Steiner	7,509,787	167,126	1,544,558	446,968	22,084,621
James E. Trevathan, Jr.	78,366	60,950	60,609	4,172	3,358,702
James C. Fish, Jr.	51,825	35,963	5,318	1,492	483,627
Jeff M. Harris	124,743	49,691	1,566	—	531,137
John J. Morris, Jr.	74,976	48,564	12,549	—	672,015

- (1) Contributions are made pursuant to the Company's 409A Deferral Plan, described in "Compensation Discussion and Analysis — Overview of Elements of Our 2015 Compensation Program — Deferral Plan." Executive contributions of base salary and annual cash

incentive compensation is included in the Base Salary column and the Non-Equity Incentive Plan Compensation column, respectively, of the Summary Compensation Table. In the case of Mr. Steiner, contributions in the last fiscal year include deferral of 133,836 shares of Common Stock earned on account of performance share units with the performance period ended December 31, 2014 that were paid out in February 2015. The value of such deferred shares was included in the Option Exercises and Stock Vested table for 2014, and the grant date fair value of the underlying performance share unit award was included in the Stock Awards column of the Summary Compensation Table for 2012.

- (2) Company contributions to the executives' 409A Deferral Plan accounts are included in the All Other Compensation column in the Summary Compensation Table.
- (3) Earnings on these accounts are not included in any other amounts in the tables included in this Proxy Statement, as the amounts of the named executives' earnings on deferred cash compensation represent the general market gains (or losses) on investments, rather than amounts or rates set by the Company for the benefit of the named executives. In case of Messrs. Steiner, Trevathan and Fish, who have deferred receipt of 290,239 shares, 2,709 shares and 969 shares, respectively, earnings also includes the change in the closing price per share of the Company's Common Stock from December 31, 2014 to December 31, 2015, plus \$1.54 of dividends paid per share of Common Stock in 2015, multiplied by the number of shares deferred.
- (4) Amounts in the table above consist of dividend equivalents paid out on deferred shares. Dividend equivalents are paid out at the same time and at the same rate as dividends on the Company's Common Stock.

Participating employees can generally elect to receive distributions commencing six months after the employee leaves the Company in the form of annual installments or a lump sum payment. Special circumstances may allow for a modified or accelerated distribution, such as the employee's death, an unforeseen emergency, or upon termination of the plan. In the event of death, distribution will be made to the designated beneficiary in a single lump sum in the following calendar year. In the event of an unforeseen emergency, the plan administrator may allow an early payment in the amount necessary to satisfy the emergency. All participants are immediately 100% vested in all of their contributions, Company matching contributions, and gains and/or losses related to their investment choices.

- (5) Amounts shown in this column include the following amounts that were reported as compensation to the named executive in the Summary Compensation Table for 2013-2015: Mr. Steiner — \$1,265,615; Mr. Trevathan — \$190,080; Mr. Fish — \$142,011; Mr. Harris — \$411,818; and Mr. Morris — \$295,918. In prior year proxy statements, the table above inadvertently omitted the following number of shares of Common Stock earned on account of vested RSUs and PSUs: 156,403 shares that were deferred by Mr. Steiner between 2004 and 2014; 2,709 shares that were deferred by Mr. Trevathan in 2006; and 969 shares that were deferred by Mr. Fish in 2014. The value of all such deferred shares was included in the Option Exercises and Stock Vested table for the year of vesting (or equivalent disclosure in the case of Mr. Steiner's 2004 deferral) and is now included in the table above, based on the closing price of a share of Common Stock on December 31, 2015.

Potential Payments Upon Termination or Change in Control

The payments our named executives receive upon termination or change in control are based on provisions included in employment agreements and individual equity award agreements. We enter into employment agreements with our named executive officers to provide a form of protection for the Company through restrictive covenant provisions; each of the agreements contains post-termination restrictive covenants, including a covenant not to compete, non-solicitation covenants, and a non-disparagement covenant, each of which lasts for two years after termination. Employment agreements also aid in retention of senior leadership by providing the individual with comfort that he will be treated fairly in the event of a termination not for cause or under a change in control situation. The change in control provision included in each named executive officer's agreement requires a double trigger in order to receive any payment in the event of a change in control situation. First, a change in control must occur, and second, the individual must terminate his employment for good reason or the Company must terminate his employment without cause within six months prior to or two years following the change in control event. We believe providing change in control protection encourages our named executives to pursue and facilitate transactions that are in the best interests of stockholders while not granting executives an undeserved windfall.

Employment agreements entered into with named executive officers after February 2004 (which includes all named executives except Mr. Steiner) contain (a) a requirement that the individual execute a general release prior to receiving post-termination benefits and (b) a clawback feature that allows for the suspension and refund of termination benefits for subsequently discovered cause. The clawback feature in the agreements generally allows the Company to cancel any remaining payments due and obligates the named executive to refund to the Company severance payments already made if, within one year of termination of employment of the named executive by the Company for any reason other than for cause, the Company determines that the named executive could have been terminated for cause.

Our current form of award agreements for equity awards also contain provisions regarding termination and change in control. Our stock option awards are also subject to double trigger vesting in the event of a change in control situation. Award agreements applicable to performance share units provide that awards will be paid out in cash on a prorated basis based on actual results achieved through the end of the fiscal quarter prior to a change in control. Thereafter, the executive would be compensated for the lost opportunity from the date of the change in control to the end of the original performance period by receiving a replacement award of restricted stock units in the successor entity, provided that the successor entity is publicly traded. If the successor is not publicly traded, the executive will be entitled to a replacement award of cash. However, if the employee is thereafter involuntarily terminated other than for cause within the change in control window referenced, he would vest in full in the replacement award.

Our current equity award agreements also include a requirement that, in order to be eligible to vest in any portion of the award, the employee must enter into an agreement containing restrictive covenants applicable to the employee's behavior following termination. Additionally, our performance share unit and stock option award agreements include compensation clawback provisions that provide, if the MD&C Committee determines that an employee either engaged in or benefited from misconduct, then the employee will refund any amounts received under the equity award agreements. Misconduct generally includes any act or failure to act that caused or was intended to cause a violation of the Company's policies, generally accepted accounting principles or applicable laws and that materially increased the value of the equity award. Further, our MD&C Committee has adopted a clawback policy applicable to our annual cash incentive awards that is designed to recoup annual cash incentive payments when the recipient's personal misconduct affects the payout calculations for the awards. Clawback terms applicable to our incentive awards allow recovery within the earlier to occur of one year after discovery of misconduct and the second anniversary of the employee's termination of employment.

The terms "Cause," "Good Reason," and "Change in Control" as used in the table below are defined in the executives' employment agreements and/or the applicable equity award agreement and have the meanings generally described below. You should refer to the individual agreements for the actual definitions.

"Cause" generally means the named executive has: deliberately refused to perform his duties; breached his duty of loyalty to the Company; been convicted of a felony; intentionally and materially harmed the Company; or breached the covenants contained in his agreement.

"Good Reason" generally means that, without the named executive's consent: his duties or responsibilities have been substantially changed; he has been removed from his position; the Company has breached his employment agreement; any successor to the Company has not assumed the obligations under his employment agreement; or he has been reassigned to a location more than 50 miles away.

"Change in Control" generally means that: at least 25% of the Company's Common Stock has been acquired by one person or persons acting as a group; the majority of the Board of Directors consists of individuals other than those serving as of the date of the named executive's employment agreement or those that were not elected by at least two-thirds of those directors; there has been a merger of the Company in which at least 50% of the combined post-merger voting power of the surviving entity does not consist of the Company's pre-merger voting power, or a merger to effect a recapitalization that resulted in a person or persons acting as a group acquired 25% or more of the Company's voting securities; or the Company is liquidating or selling all or substantially all of its assets.

The following tables represent potential payouts to our named executives upon termination of employment in the circumstances indicated pursuant to the terms of their employment agreements and outstanding incentive awards. In the event a named executive is terminated for cause, he is entitled to any accrued but unpaid salary only. Please see the Non-Qualified Deferred Compensation table above for aggregate balances payable to the named executives under our 409A Deferral Plan pursuant to the executive's distribution election.

The payouts set forth below assume the triggering event indicated occurred on December 31, 2015, when the closing price of our Common Stock was \$53.37 per share. These payouts are calculated for SEC disclosure purposes and are not necessarily indicative of the actual amounts the named executive would receive. Please note the following when reviewing the payouts set forth below:

- The compensation component set forth below for accelerated vesting of stock options is comprised of the unvested stock options granted in 2013, 2014, and 2015, which vest 25% on the first and second anniversary of the date of grant and 50% on the third anniversary of the date of grant.
- For purposes of calculating the payout of performance share unit awards outstanding at December 31, 2015, we have assumed that target performance was achieved; any actual performance share unit payouts will be based on actual performance of the Company during the performance period.
- For purposes of calculating the payout upon the “double trigger” of change in control and subsequent involuntary termination not for cause, the value of the performance share unit replacement award is equal to the number of performance share units that would be forfeited based on the prorated acceleration of the performance share units, multiplied by the closing price of our Common Stock on December 31, 2015.
- The payout for continuation of benefits is an estimate of the cost the Company would incur to continue those benefits.
- Waste Management’s practice is to provide all benefits eligible employees with life insurance that pays one times annual base salary upon death. The insurance benefit is a payment by an insurance company, not the Company, and is payable under the terms of the insurance policy.

Potential Consideration upon Termination of Employment:

David P. Steiner

<u>Triggering Event</u>	<u>Compensation Component</u>	<u>Payout (\$)</u>
<i>Death or Disability</i>	<i>Severance Benefits</i>	
	• Accelerated vesting of stock options	4,858,898
	• Payment of performance share units (contingent on actual performance at end of performance period)	11,643,519
	• Two times base salary as of date of termination (payable in bi-weekly installments over a two-year period) ⁽¹⁾	2,480,000
	• Life insurance benefit paid by insurance company (in the case of death)	1,197,000
	Total	<u>20,179,417</u>
<i>Termination Without Cause by the Company or For Good Reason by the Employee</i>	<i>Severance Benefits</i>	
	• Two times base salary plus target annual cash bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	5,828,000
	• Continued coverage under health and welfare benefit plans for two years	25,320
	• Prorated payment of performance share units (contingent on actual performance at end of performance period)	5,944,351
	Total	<u>11,797,671</u>
<i>Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change in Control (Double Trigger)</i>	<i>Severance Benefits</i>	
	• Three times base salary plus target annual cash bonus, paid in lump sum ⁽¹⁾	8,742,000
	• Continued coverage under health and welfare benefit plans for three years	37,980
	• Accelerated vesting of stock options	4,858,898
	• Prorated accelerated payment of performance share units	5,944,351
	• Accelerated payment of performance share units replacement grant	5,699,168
	• Prorated maximum annual cash bonus	3,348,000
	• Gross-up payment for any excise taxes ⁽¹⁾	7,744,277
	Total	<u>36,374,674</u>

James E. Trevathan, Jr.

<u>Triggering Event</u>	<u>Compensation Component</u>	<u>Payout (\$)</u>
<i>Death or Disability</i>	Severance Benefits <ul style="list-style-type: none">• Accelerated vesting of stock options• Payment of performance share units (contingent on actual performance at end of performance period)• Two times base salary as of the date of termination (payable in bi-weekly installments over a two-year period)⁽¹⁾• Life insurance benefit paid by insurance company (in the case of death) Total	<ul style="list-style-type: none">1,092,3432,879,0981,323,000630,000 5,924,441
<i>Termination Without Cause by the Company or For Good Reason by the Employee</i>	Severance Benefits <ul style="list-style-type: none">• Two times base salary plus target annual cash bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)• Continued coverage under benefit plans for two years<ul style="list-style-type: none">• Health and welfare benefit plans• 401(k) Retirement Savings Plan contributions• Prorated payment of performance share units (contingent on actual performance at end of performance period) Total	<ul style="list-style-type: none">2,513,70025,32023,8501,454,813 4,017,683
<i>Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change in Control (Double Trigger)</i>	Severance Benefits <ul style="list-style-type: none">• Two times base salary plus target annual cash bonus, paid in lump sum• Continued coverage under benefit plans for two years<ul style="list-style-type: none">• Health and welfare benefit plans• 401(k) Retirement Savings Plan contributions• Accelerated vesting of stock options• Prorated accelerated payment of performance share units• Accelerated payment of performance share units replacement grant• Prorated maximum annual cash bonus• Gross-up payment for any excise taxes⁽¹⁾ Total	<ul style="list-style-type: none">2,513,70025,32023,8501,092,3431,454,8131,424,2851,190,700— 7,725,011

James C. Fish, Jr.

<u>Triggering Event</u>	<u>Compensation Component</u>	<u>Payout (\$)</u>
<i>Death or Disability</i>	Severance Benefits <ul style="list-style-type: none">• Accelerated vesting of stock options• Payment of performance share units (contingent on actual performance at end of performance period)• Life insurance benefit paid by insurance company (in the case of death) Total	<ul style="list-style-type: none">1,060,0822,879,098567,000 4,506,180
<i>Termination Without Cause by the Company or For Good Reason by the Employee</i>	Severance Benefits <ul style="list-style-type: none">• Two times base salary plus target annual cash bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)• Continued coverage under health and welfare benefit plans for two years• Prorated payment of performance share units (contingent on actual performance at end of performance period) Total	<ul style="list-style-type: none">2,367,97025,3201,454,813 3,848,103

<u>Triggering Event</u>	<u>Compensation Component</u>	<u>Payout (\$)</u>
<i>Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change in Control (Double Trigger)</i>	Severance Benefits	
	• Two times base salary plus target annual cash bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	2,367,970
	• Continued coverage under health and welfare benefit plans for two years	25,320
	• Accelerated vesting of stock options	1,060,082
	• Prorated accelerated payment of performance share units	1,454,813
	• Accelerated payment of performance share units replacement grant	1,424,285
	• Prorated maximum annual cash bonus	1,121,670
	Total	<u>7,454,140</u>

Jeff M. Harris

<u>Triggering Event</u>	<u>Compensation Component</u>	<u>Payout (\$)</u>
<i>Death or Disability</i>	Severance Benefits	
	• Accelerated vesting of stock options	899,915
	• Payment of performance share units (contingent on actual performance at end of performance period)	2,351,589
	• Life insurance benefit paid by insurance company (in the case of death)	567,000
	Total	<u>3,818,504</u>

<i>Termination Without Cause by the Company or For Good Reason by the Employee</i>	Severance Benefits	
	• Two times base salary plus target annual cash bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	2,142,000
	• Continued coverage under health and welfare benefit plans for two years	25,320
	• Prorated payment of performance share units (contingent on actual performance at end of performance period)	1,179,957
	Total	<u>3,347,277</u>

<i>Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change-in-Control (Double Trigger)</i>	Severance Benefits	
	• Three times base salary plus target annual cash bonus, paid in lump sum ⁽¹⁾	3,213,000
	• Continued coverage under health and welfare benefit plans for three years	37,980
	• Accelerated vesting of stock options	899,915
	• Prorated accelerated payment of performance share units	1,179,957
	• Accelerated payment of performance share units replacement grant	1,171,632
	• Prorated maximum annual cash bonus	952,000
	Total	<u>7,454,484</u>

John J. Morris, Jr.

<u>Triggering Event</u>	<u>Compensation Component</u>	<u>Payout (\$)</u>
<i>Death or Disability</i>	Severance Benefits	
	• Accelerated vesting of stock options	822,205
	• Payment of performance share units (contingent on actual performance at end of performance period)	2,351,589
	• Life insurance benefit paid by insurance company (in the case of death)	523,000
	Total	3,696,794
<i>Termination Without Cause by the Company or For Good Reason by the Employee</i>	Severance Benefits	
	• Two times base salary plus target annual cash bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	2,088,000
	• Continued coverage under health and welfare benefit plans for two years	25,320
	• Prorated payment of performance share units (contingent on actual performance at end of performance period)	1,179,957
	Total	3,293,277
<i>Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change in Control (Double Trigger)</i>	Severance Benefits	
	• Two times base salary plus target annual cash bonus (one half payable in lump sum; one half payable in bi-weekly installments over a two year period)	2,088,000
	• Continued coverage under health and welfare benefit plans for two years	25,320
	• Accelerated vesting of stock options	822,205
	• Prorated accelerated payment of performance share units	1,179,957
	• Accelerated payment of performance share units replacement grant	1,171,632
	• Prorated maximum annual cash bonus	928,000
	Total	6,215,114

- (1) In the past, such provisions have been included in certain named executives' employment agreements. However, the Company's compensation policy now provides that it will not enter into any future compensation arrangements that obligate the Company to provide increased payments in the event of death or to make tax gross up payments, subject to certain exceptions. Additionally, our Executive Officer Severance Policy generally provides that the Company may not enter into new severance arrangements with its executive officers that provide for benefits, less the value of vested equity awards and benefits provided to employees generally, in an amount that exceeds 2.99 times the executive officer's then current base salary and target bonus. For additional details, see "Compensation Discussion and Analysis — Other Compensation Policies and Practices."

Equity Compensation Plan Table

The following table provides information as of December 31, 2015 about the number of shares to be issued upon vesting or exercise of equity awards and the number of shares remaining available for issuance under our equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights	Weighted-Average Exercise Price of Outstanding Options and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders ⁽¹⁾	10,216,047 ⁽²⁾	\$40.80 ⁽³⁾	27,570,724 ⁽⁴⁾

(1) Includes our 2009 Stock Incentive Plan, 2014 Stock Incentive Plan and Employee Stock Purchase Plan (“ESPP”). No additional awards may be granted under our 2009 Stock Incentive Plan.

(2) Includes: options outstanding for 7,506,995 shares of Common Stock; 422,850 shares of Common Stock to be issued in connection with deferred compensation obligations; 523,866 shares underlying unvested restricted stock units and 1,762,336 shares of Common Stock that would be issued under outstanding performance share units if the target performance level is achieved. Assuming, instead, that the maximum performance level was achieved on such performance share units, the number of shares of Common Stock subject to outstanding awards would increase by 1,762,336 shares.

The total number of shares subject to outstanding awards in the table above includes 664,142 shares on account of performance share units with the performance period ended December 31, 2015. The determination of achievement of performance results on such performance share units was performed by the MD&C Committee in February 2016, and the Company exceeded target performance criteria. A total of 546,482 shares of Common Stock were issued on account of such performance share units in February 2016, net of units deferred, and 162,335 shares of Common Stock included in the table above as subject to outstanding awards are now available for future issuance.

Excludes purchase rights that accrue under the ESPP. Purchase rights under the ESPP are considered equity compensation for accounting purposes; however, the number of shares to be purchased is indeterminable until the time shares are actually issued, as automatic employee contributions may be terminated before the end of an offering period and, due to the look-back pricing feature, the purchase price and corresponding number of shares to be purchased is unknown.

(3) Excludes performance share units and restricted stock units because those awards do not have exercise prices associated with them. Also excludes purchase rights under the ESPP for the reasons described in (2) above.

(4) The shares remaining available include 3,167,264 shares under our ESPP and 24,403,460 shares under our 2014 Stock Incentive Plan, based on payout of performance share units at maximum. Assuming payout of performance share units at target, the number of shares remaining available for issuance under our 2014 Stock Incentive Plan would be 26,165,796.

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(ITEM 2 ON THE PROXY CARD)

Our Board of Directors, upon the recommendation of the Audit Committee, has ratified the selection of Ernst & Young LLP to serve as our independent registered public accounting firm for fiscal year 2016, subject to ratification by our stockholders.

Representatives of Ernst & Young LLP will be at the annual meeting. They will be able to make a statement if they want, and will be available to answer any appropriate questions stockholders may have.

Although ratification of the selection of Ernst & Young is not required by our By-laws or otherwise, we are submitting the selection to stockholders for ratification because we value our stockholders' views on our independent registered public accounting firm and as a matter of good governance. If our stockholders do not ratify our selection, it will be considered a direction to our Board and Audit Committee to consider selecting another firm. Even if the selection is ratified, the Audit Committee may, in its discretion, select a different independent registered public accounting firm, subject to ratification by the Board, at any time during the year if it determines that such a change is in the best interests of the Company and our stockholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2016.

Independent Registered Public Accounting Firm Fee Information

Fees for professional services provided by our independent registered public accounting firm in each of the last two fiscal years, in each of the following categories, were as follows:

	2015	2014
	(In millions)	
Audit Fees	\$5.1	\$5.3
Audit-Related Fees	0.6	2.0
Tax Fees	0.1	—
All Other Fees	—	—
Total	\$5.8	\$7.3

Audit fees includes fees for the annual audit, reviews of the Company's Quarterly Reports on Form 10-Q, work performed to support the Company's debt issuances, accounting consultations, and separate subsidiary audits required by statute or regulation, both domestically and internationally. Audit-related fees principally include financial due diligence services relating to certain potential acquisitions and separate subsidiary audits not required by statute or regulation included in 2014.

The Audit Committee has adopted procedures for the approval of Ernst & Young's services and related fees. At the beginning of each year, all audit and audit-related services, tax fees and other fees for the upcoming audit are provided to the Audit Committee for approval. The services are grouped into significant categories and provided to the Audit Committee in the format shown above. All projects that have the potential to exceed \$100,000 are separately identified and reported to the Committee for approval. The Audit Committee Chairman has the authority to approve additional services, not previously approved, between Committee meetings. Any additional services approved by the Audit Committee Chairman between Committee meetings are ratified by the full Audit Committee at the next regularly scheduled meeting. The Audit Committee is updated on the status of all services and related fees at every regular meeting. In 2015 and 2014, the Audit Committee pre-approved all audit and audit-related services performed by Ernst & Young.

As set forth in the Audit Committee Report on page 9, the Audit Committee has considered whether the provision of these audit-related services is compatible with maintaining auditor independence and has determined that it is.

Vote Required for Approval

Approval of this proposal requires the affirmative vote of a majority of the shares present at the meeting, in person or represented by proxy, and entitled to vote.

ADVISORY VOTE ON EXECUTIVE COMPENSATION

(ITEM 3 ON THE PROXY CARD)

Pursuant to Section 14A of the Exchange Act, stockholders are entitled to an advisory (non-binding) vote on compensation programs for our named executive officers (sometimes referred to as “say on pay”). The Board of Directors has determined that it will include say on pay votes in the Company’s proxy materials annually until the next stockholder vote on the frequency of the say on pay vote.

We encourage stockholders to review the *Compensation Discussion and Analysis* on pages 24 to 40 of this Proxy Statement. The Company has designed its executive compensation program to be supportive of, and align with, the strategy of the Company and the creation of stockholder value, while discouraging excessive risk-taking. The following key structural elements and policies, discussed in more detail in the *Compensation Discussion and Analysis*, further the objective of our executive compensation program and evidence our dedication to competitive and reasonable compensation practices that are in the best interests of stockholders:

- a substantial portion of executive compensation is linked to Company performance, through annual cash incentive performance criteria and long-term equity-based incentive awards. As a result, our executive compensation program provides for a significant difference in total compensation in periods of above-target Company performance as compared to periods of below-target Company performance. In 2015, our performance-based annual cash incentive and long-term equity-based incentive awards comprised approximately 87% of total target compensation for our President and Chief Executive Officer and approximately 77% of total target compensation for our other named executives;
- at target, approximately 58% of total compensation of our named executives (and approximately 70% in the case of our President and Chief Executive Officer) results from long-term equity awards, which aligns executives’ interests with those of stockholders;
- our total direct compensation opportunities for named executive officers are targeted to fall in a range around the competitive median;
- performance-based awards include threshold, target and maximum payouts correlating to a range of performance goals and are based on a variety of indicators of performance, which limits risk-taking behavior;
- performance stock units with a three-year performance period, as well as stock options that vest over a three-year period, link executives’ interests with long-term performance and reduce incentives to maximize performance in any one year;
- all of our named executive officers are subject to stock ownership requirements, which we believe demonstrates a commitment to, and confidence in, the Company’s long-term prospects;
- the Company has clawback provisions in its equity award agreements and recent employment agreements, and has adopted a clawback policy applicable to annual incentive compensation, designed to recoup compensation when cause and/or misconduct are found;
- our executive officer severance policy implemented a limitation on the amount of benefits the Company may provide to its executive officers under severance agreements entered into after the date of such policy; and
- the Company has adopted a policy that prohibits it from entering into new agreements with executive officers that provide for certain death benefits or tax gross-up payments.

The Board strongly endorses the Company’s executive compensation program and recommends that the stockholders vote in favor of the following resolution:

RESOLVED, that the compensation of the Company’s named executive officers as described in this Proxy Statement under “Executive Compensation,” including the *Compensation Discussion and Analysis* and the tabular and narrative disclosure contained in this Proxy Statement, is hereby APPROVED.

Vote Required for Approval

Approval of this proposal requires the affirmative vote of a majority of the shares present at the meeting, in person or represented by proxy, and entitled to vote. Because the vote is advisory, it will not be binding upon the Board or the MD&C Committee and neither the Board nor the MD&C Committee will be required to take any action as a result of the outcome of the vote on this proposal. The MD&C Committee will carefully consider the outcome of the vote in connection with future executive compensation arrangements.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION.

STOCKHOLDER PROPOSAL

(ITEM 4 ON THE PROXY CARD)

Waste Management is not responsible for the content of this stockholder proposal or supporting statement.

The following proposal was submitted by the International Brotherhood of Teamsters General Fund, 25 Louisiana Avenue, NW, Washington, DC 20001, which owns 143 shares of Waste Management Common Stock. The proposal has been included verbatim as we received it.

Stockholder Proposal

RESOLVED: The shareholders ask the board of directors to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration of vesting of any equity award granted to any named executive officer, provided, however, that the Board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, *pro rata* basis up to the time of the named executive officer's termination, with such qualifications for an award as the Committee may determine.

For purposes of this Policy, "equity award" means an award granted under an equity incentive plan as defined in Item 402 of the SEC's Regulation S-K, which addresses elements of executive compensation to be disclosed to shareholders. This resolution shall be implemented so as not to affect any contractual rights in existence on the date this proposal is adopted, and it shall apply only to equity awards made under equity incentive plans or plan amendments the shareholders approve after the date of the 2016 annual meeting.

SUPPORTING STATEMENT:

Waste Management ("Company") allows executives to receive an accelerated award of unearned equity under certain conditions after a change of control of the Company. We do not question that some form of severance payments may be appropriate in that situation. We are concerned, however, that current practices at the Company may permit windfall awards that have nothing to do with an executive's performance.

Accordingly to last year's proxy statement, a termination and change in control as of December 31, 2014, could have accelerated the vesting of \$37 million worth of long-term equity and grants to the Company's five senior executives, with the CEO entitled to \$20 million. In the event of a change in control and termination, Waste Management's performance share units vest pro-rata but the provision is meaningless because the Company compensates the executives through a replacement grant for any lost earnings due to proration.

We are unpersuaded by the argument that executives somehow "deserve" to receive unvested awards. To accelerate the vesting of unearned equity on the theory that an executive was denied the opportunity to earn those shares seems inconsistent with a "pay for performance" philosophy worthy of the name.

We do believe, however, that an affected executive should be eligible to receive an accelerated vesting of equity awards on a *pro rata* basis as of his or her termination date, with the details of any *pro rata* award to be determined by the Compensation Committee.

Other major corporations, including Apple, Chevron, Dell, Exxon Mobil, IBM, Intel, Microsoft, and Occidental Petroleum, have limitations on accelerated vesting of unearned equity, such as providing pro rata awards or simply forfeiting unearned awards. Research from James Reda & Associates found that over one third of the largest 200 companies now pro rate, forfeit, or only partially vest performance shares upon a change of control.

We urge you to vote **FOR** this proposal.

Waste Management Response to Stockholder Proposal on Policy Regarding Accelerated Vesting and Requiring Partial Forfeiture of Equity Awards to Named Executive Officers upon a Change in Control

The Board recommends that stockholders vote AGAINST this proposal.

The Board does not believe that adoption of a rigid policy restricting the acceleration of vesting and requiring partial forfeiture of named executive officers' equity awards is in the best interests of the Company or our stockholders. Such a policy could put the Company at a competitive disadvantage in attracting and retaining key executives, it would disrupt the alignment of interests between our management and our stockholders by discouraging pursuit of any transaction that could result in a change in control, and it would unduly restrict our MD&C Committee from designing and administering appropriate compensation arrangements.

Competitive disadvantage in attracting and retaining executives

The proponent's supporting statement asserts that over a third of the largest 200 companies now pro rate, forfeit, or only partially vest performance shares upon a change in control. Waste Management is among those companies, as the proponent notes that we only vest performance share units on a *pro rata* basis upon a change in control, and only based on actual performance to date.

However, a very substantial majority of the companies with which we compete for executive talent are not restricted in their ability to attract and retain key executives through the use of change in control equity vesting triggers, and in fact, routinely provide for accelerated vesting of equity-based awards upon a change in control. As a result, the proposed policy could significantly jeopardize the objective of our compensation program to attract, retain, reward and incentivize exceptional, talented employees who will lead the Company in the successful execution of its strategy.

Additionally, the proposed policy would permit *pro rata* vesting of equity-based awards following both a change in control and termination of a named executive officer. Yet, vesting of equity-based awards, even on a *pro rata* basis, would not be permitted with respect to named executives that continue employment at the post-change in control successor entity. As noted above, our current award agreements for performance share units provide for accelerated vesting on a *pro rata* basis, based on actual performance achieved, upon a change in control event, as it is likely not to be feasible to carry forward the performance metrics of the outstanding awards to the successor entity. Under the proposed policy, named executives leaving the Company could have more certainty regarding the value of their outstanding performance share units than named executives that remain, who would have to forfeit their awards or rely on the successor entity to grant replacement awards. Such a result is clearly contrary to the retention objective of our compensation program and fails to appreciate the practical realities of change in control scenarios where the successor is a materially different entity.

The proposed policy may also make it particularly difficult for us to retain key executives during the pendency of a potential change in control, which could be disruptive to the transaction. Allowing executives to retain the value of their awards encourages our executives to remain with us through consummation of a merger or similar change in control transaction, reinforcing the retention value of those awards. Accelerated vesting provisions therefore help provide stability and ensure continuity of executive management during the critical stages of a potential change in control transaction.

Disruption of alignment between management and our stockholders

The Board believes that executives should not be discouraged from pursuing and facilitating change in control transactions when they are in the best interests of stockholders. Putting executives' compensation at risk in the event of a change in control could create a conflict of interest if the Board believed a potential change in control transaction was in the best interests of our stockholders. One of the essential purposes of providing executives with equity-based awards is to align their interests with those of our stockholders. As described in our *Compensation Discussion & Analysis*, a significant percentage of each named executive officer's compensation opportunity is in the form of equity-based awards, and at any time, our named executives' unvested equity awards represent a significant portion of their total compensation. The proposal would eliminate our ability to

provide reasonable assurance to named executives that they can realize the expected value of their equity-based awards and would penalize named executives that consummate a change in control transaction, particularly those that remain with the Company afterwards, with the loss of their incentive compensation.

Undue restriction on the MD&C Committee's structuring of executive compensation

Our Board believes that stockholders' interests are best served by recognizing that the MD&C Committee, comprised of seven independent, non-management directors, is in the best position to set the terms of executive compensation arrangements. Our stockholders have evidenced their overwhelming support of the MD&C Committee's actions, with 97%, 97%, 97%, 96% and 97% of shares present and entitled to vote casting votes in favor of our Company's executive compensation at the last five annual meetings of stockholders, respectively. The Board believes that the Company's treatment of equity-based awards upon a change in control, as summarized in our *Compensation Discussion & Analysis*, is already prudent and appropriately balances the interests of all parties, while not granting executives an undeserved windfall.

The MD&C Committee should continue to retain the flexibility to design and administer competitive compensation programs that reflect market conditions. Permitting the MD&C Committee to accelerate vesting of equity awards can incentivize management to maximize stockholder value, further aligning the interests of management with our stockholders. Conversely, adopting the rigid policy advanced by the proponent would frustrate the purpose of the MD&C Committee and interfere with the objective of our compensation program. The Board recommends that you vote against this proposal.

Vote Required for Approval

If this proposal is properly presented at the meeting, approval requires the affirmative vote of a majority of the shares present at the meeting, in person or represented by proxy, and entitled to vote.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE ADOPTION OF THIS PROPOSAL.

OTHER MATTERS

We do not intend to bring any other matters before the annual meeting, nor do we have any present knowledge that any other matters will be presented by others for action at the meeting. If any other matters are properly presented, your proxy card authorizes the people named as proxy holders to vote using their judgment.



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission file number 1-12154

Waste Management, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1001 Fannin Street
Houston, Texas
(Address of principal executive offices)

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

77002
(Zip code)

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

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

Title of Each Class

Common Stock, \$.01 par value

Name of Exchange on Which Registered

New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2015 was approximately \$20.9 billion. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange ("NYSE"). (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

The number of shares of Common Stock, \$.01 par value, of the registrant outstanding at February 4, 2016 was 445,652,359 (excluding treasury shares of 184,630,102).

DOCUMENTS INCORPORATED BY REFERENCE

Document

Proxy Statement for the
2016 Annual Meeting of Stockholders

Incorporated as to

Part III

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PART I

Item 1. Business.

General

The financial statements presented in this report represent the consolidation of Waste Management, Inc., a Delaware corporation; Waste Management's wholly-owned and majority-owned subsidiaries; and certain variable interest entities for which Waste Management or its subsidiaries are the primary beneficiaries as described in Note 20 to the Consolidated Financial Statements. Waste Management is a holding company and all operations are conducted by its subsidiaries. When the terms "the Company," "we," "us" or "our" are used in this document, those terms refer to Waste Management, Inc., its consolidated subsidiaries and consolidated variable interest entities. When we use the term "WM," we are referring only to Waste Management, Inc., the parent holding company.

WM was incorporated in Oklahoma in 1987 under the name "USA Waste Services, Inc." and was reincorporated as a Delaware company in 1995. In a 1998 merger, the Illinois-based waste services company formerly known as Waste Management, Inc. became a wholly-owned subsidiary of WM and changed its name to Waste Management Holdings, Inc. ("WM Holdings"). At the same time, our parent holding company changed its name from USA Waste Services to Waste Management, Inc. Like WM, WM Holdings is a holding company and all operations are conducted by subsidiaries. For detail on the financial position, results of operations and cash flows of WM, WM Holdings and their subsidiaries, see Note 23 to the Consolidated Financial Statements.

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

We are North America's leading provider of comprehensive waste management environmental services. We partner with our residential, commercial, industrial and municipal customers and the communities we serve to manage and reduce waste at each stage from collection to disposal, while recovering valuable resources and creating clean, renewable energy. Our "Solid Waste" business is operated and managed locally by our subsidiaries that focus on distinct geographic areas and provides collection, transfer, recycling and resource recovery, and disposal services. Through our subsidiaries, we are also a leading developer, operator and owner of landfill gas-to-energy facilities in the United States. In December 2014, we sold our Wheelabrator business, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. During 2015, our largest customer represented 1% of annual revenues. We employed approximately 40,600 people as of December 31, 2015.

We own or operate 249 landfill sites, which is the largest network of landfills in North America. In order to make disposal more practical for larger urban markets, where the distance to landfills is typically farther, we manage 297 transfer stations that consolidate, compact and transport waste efficiently and economically. We also use waste to create energy, recovering the gas produced naturally as waste decomposes in landfills and using the gas in generators to make electricity. We are a leading recycler in North America, handling materials that include paper, cardboard, glass, plastic and metal. We provide cost-efficient, environmentally sound recycling programs for municipalities, businesses and households across the U.S. and Canada as well as other services that supplement our traditional Solid Waste business.

Our Company's goals are targeted at serving our customers, our employees, the environment, the communities in which we work and our stockholders, and achievement of our goals is intended to meet the needs of a changing industry. Our Company and others have recognized the value of the traditional waste stream as a potential resource. Increasingly, customers want more of their waste materials recovered, while waste streams are

becoming more complex, and our aim is to address, and anticipate, the current, expanding and evolving needs of our customers. Accomplishment of our goals will grow our Company and allow us to meet the needs of our customers and communities as they, too, Think Green®.

We believe we are uniquely equipped to meet the challenges of the changing waste industry and our customers' waste management needs, both today and as we work together to envision and create a more sustainable future. As the waste industry leader, we have the expertise necessary to collect and handle our customers' waste efficiently and responsibly by delivering environmental performance — maximizing resource value, while minimizing environmental impact — so that both our economy and our environment can thrive. Drawing on our resources and experience, we also pursue projects and initiatives that benefit the waste industry, the customers and communities we serve and the environment.

We remain dedicated to providing long-term value to our stockholders by successfully executing our strategy: to know and service our customers better than anyone in our industry, to extract more value from the materials we manage, and to innovate and optimize our business. We plan to accomplish our strategic goals through competitive advantages derived from operational improvements and focused differentiation in our industry, driven by capitalizing on our extensive, well-placed network of assets. While we will continue to monitor emerging diversion technologies that may generate additional value, our current attention will be on improving existing diversion technologies, such as our recycling operations.

In pursuit of these long-term goals, we recognize that we must grow the business, and do so as efficiently and cost effectively as possible. Accordingly, we are focusing on the following five key company priorities:

- Customers: provide the best possible service to our customers;
- Traditional Waste Business: continuously improve our operational performance;
- Growth: take advantage of opportunities in our current business, as well as considering attractive acquisition opportunities;
- Yield Management: remain focused on price leadership while considering competitive dynamics; and
- Costs: minimize both operating costs and selling, general and administrative expenses.

We believe that execution of our strategy through these key priorities will drive continued financial performance and leadership in a dynamic industry. In addition, we intend to continue to return value to our stockholders through dividend payments and common stock repurchases. In December 2015, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.385 to \$0.41 per share for dividends declared in 2016, which is a 6.5% increase from the quarterly dividends we declared in 2015. This will result in an increase in the amount of free cash flow that we expect to pay out as dividends for the 13th consecutive year and is an indication of our ability to generate strong and consistent cash flows. All quarterly dividends will be declared at the discretion of our Board of Directors.

Operations

General

We evaluate, oversee and manage the financial performance of our Solid Waste business subsidiaries through our 17 geographic Areas. See Note 21 to the Consolidated Financial Statements for additional information about our reportable segments. In December 2014, we sold our Wheelabrator business, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. Refer to Note 19 to the Consolidated Financial Statements for additional information related to our divestiture. We also provide additional services that are not managed through our Solid Waste business as described below. These operations are presented in this report as "Other."

We have expanded certain of our operations through acquisitions, which are discussed further in Note 19 to the Consolidated Financial Statements. In March 2015, we acquired Deffenbaugh Disposal, Inc., (“Deffenbaugh”), one of the largest privately owned collection and disposal firms in the Midwest with assets including five collection operations, seven transfer stations, two recycling facilities, one subtitle-D landfill, and one construction and demolition landfill. In January 2013, we acquired Greenstar, LLC (“Greenstar”), an operator of recycling and resource recovery facilities. This acquisition provides the Company’s customers with greater access to recycling solutions, having supplemented the Company’s extensive nationwide recycling network with the operations of one of the nation’s largest private recyclers. In July 2013, we acquired substantially all of the assets of RCI Environnement, Inc. (“RCI”), the largest waste management company in Quebec, and certain related entities. RCI provides collection, transfer, recycling and disposal operations throughout the Greater Montreal area. The acquired RCI operations complement and expand the Company’s existing assets and operations in Quebec.

The services we currently provide include collection, landfill (solid and hazardous waste landfills), transfer, recycling and resource recovery and other services, as described below. The following table shows revenues (in millions) contributed by these services for each of the three years presented:

	Years Ended December 31,		
	2015	2014	2013
Collection	\$ 8,439	\$ 8,507	\$ 8,513
Landfill	2,919	2,849	2,790
Transfer	1,377	1,353	1,329
Wheelabrator	—	817	845
Recycling	1,163	1,370	1,447
Other	1,452	1,561	1,583
Intercompany	(2,389)	(2,461)	(2,524)
Total	<u>\$12,961</u>	<u>\$13,996</u>	<u>\$13,983</u>

Collection. Our commitment to customers begins with a vast waste collection network. Collection involves picking up and transporting waste and recyclable materials from where it was generated to a transfer station, material recovery facility (“MRF”) or disposal site. We generally provide collection services under one of two types of arrangements:

- For commercial and industrial collection services, typically we have a three-year service agreement. The fees under the agreements are influenced by factors such as collection frequency, type of collection equipment we furnish, type and volume or weight of the waste collected, distance to the disposal facility, labor costs, cost of disposal and general market factors. As part of the service, we provide steel containers to most customers to store their solid waste between pick-up dates. Containers vary in size and type according to the needs of our customers and the restrictions of their communities. Many are designed to be lifted mechanically and either emptied into a truck’s compaction hopper or directly into a disposal site. By using these containers, we can service most of our commercial and industrial customers with trucks operated by only one employee.
- For most residential collection services, we have a contract with, or a franchise granted by, a municipality, homeowners’ association or some other regional authority that gives us the exclusive right to service all or a portion of the homes in an area. These contracts or franchises are typically for periods of three to six years. We also provide services under individual monthly subscriptions directly to households. The fees for residential collection are either paid by the municipality or authority from their tax revenues or service charges, or are paid directly by the residents receiving the service.

Landfill. Landfills are the main depositories for solid waste in North America. At December 31, 2015, we owned or operated 244 solid waste landfills and five secure hazardous waste landfills, which represents the

largest network of landfills in North America. Solid waste landfills are constructed and operated on land with engineering safeguards that limit the possibility of water and air pollution, and are operated under procedures prescribed by regulation. A landfill must meet federal, state or provincial, and local regulations during its design, construction, operation and closure. The operation and closure activities of a solid waste landfill include excavation, construction of liners, continuous spreading and compacting of waste, covering of waste with earth or other acceptable material and constructing final capping of the landfill. These operations are carefully planned to maintain environmentally safe conditions and to maximize the use of the airspace.

All solid waste management companies must have access to a disposal facility, such as a solid waste landfill. The significant capital requirements of developing and operating a landfill serve as a barrier to landfill ownership and, as a result, third-party haulers often dispose of waste at our landfills. It is usually preferable for our collection operations to use disposal facilities that we own or operate, a practice we refer to as internalization, rather than using third-party disposal facilities. Internalization generally allows us to realize higher consolidated margins and stronger operating cash flows. The fees charged at disposal facilities, which are referred to as tipping fees, are based on several factors, including competition and the type and weight or volume of solid waste deposited.

Under environmental laws, the federal government (or states with delegated authority) must issue permits for all hazardous waste landfills. All of our hazardous waste landfills have obtained the required permits, although some can accept only certain types of hazardous waste. These landfills must also comply with specialized operating standards. Only hazardous waste in a stable, solid form, which meets regulatory requirements, can be deposited in our secure disposal cells. In some cases, hazardous waste can be treated before disposal. Generally, these treatments involve the separation or removal of solid materials from liquids and chemical treatments that transform waste into inert materials that are no longer hazardous. Our hazardous waste landfills are sited, constructed and operated in a manner designed to provide long-term containment of waste. We also operate a hazardous waste facility at which we isolate treated hazardous waste in liquid form by injection into deep wells that have been drilled in certain acceptable geologic formations far below the base of fresh water to a point that is safely separated by other substantial geological confining layers.

Transfer. At December 31, 2015, we owned or operated 297 transfer stations in North America. We deposit waste at these stations, as do other waste haulers. The solid waste is then consolidated and compacted to reduce the volume and increase the density of the waste and transported by transfer trucks or by rail to disposal sites.

Access to transfer stations is critical to haulers who collect waste in areas not in close proximity to disposal facilities. Fees charged to third parties at transfer stations are usually based on the type and volume or weight of the waste deposited at the transfer station, the distance to the disposal site, market rates for disposal costs and other general market factors.

The utilization of our transfer stations by our own collection operations improves internalization by allowing us to retain fees that we would otherwise pay to third parties for the disposal of the waste we collect. It enables us to manage costs associated with waste disposal because (i) transfer trucks, railcars or rail containers have larger capacities than collection trucks, allowing us to deliver more waste to the disposal facility in each trip; (ii) waste is accumulated and compacted at transfer stations that are strategically located to increase the efficiency of our network of operations and (iii) we can retain the volume by managing the transfer of the waste to one of our own disposal sites.

The transfer stations that we operate but do not own generally are operated through lease agreements under which we lease property from third parties. There are some instances where transfer stations are operated under contract, generally for municipalities. In most cases we own the permits and will be responsible for any regulatory requirements relating to the operation and closure of the transfer station.

Wheelabrator. On December 19, 2014, we sold our Wheelabrator business to an affiliate of Energy Capital Partners and received cash proceeds of \$1.95 billion, net of cash divested, subject to certain post-closing

adjustments. We recognized a gain of \$519 million on this sale which is included within “(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items” in the Consolidated Statement of Operations. In conjunction with the sale, the Company entered into several agreements to dispose of a minimum number of tons of waste at certain Wheelabrator facilities. These agreements generally provide for fixed volume commitments with certain market price resets through 2021.

Wheelabrator provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. Our Wheelabrator business was a separate reportable segment until the sale of the business in the fourth quarter of 2014 as discussed in Note 21 to the Consolidated Financial Statements. We concluded that the sale of our Wheelabrator business did not qualify for discontinued operations accounting under then current authoritative guidance based on our significant continuing obligations under the long-term waste supply agreements referred to above and in Note 11 to the Consolidated Financial Statements.

Recycling. Our recycling operations provide communities and businesses with an alternative to traditional landfill disposal and support our strategic goals to extract more value from the materials we manage. We were the first major solid waste company to focus on residential single-stream recycling, which allows customers to mix recyclable paper, plastic and glass in one bin. Residential single-stream programs have greatly increased the recycling rates. Single-stream recycling is possible through the use of various mechanized screens and optical sorting technologies. We have also been advancing the single-stream recycling programs for commercial applications. Recycling involves the separation of reusable materials from the waste stream for processing and resale or other disposition. Our recycling operations include the following:

Materials processing — Through our collection operations, we collect recyclable materials from residential, commercial and industrial customers and direct these materials to one of our MRFs for processing. At December 31, 2015 and December 31, 2014, we operated 104 MRFs and 126 MRFs, respectively, where paper, cardboard, metals, plastics, glass, construction and demolition materials and other recyclable commodities are recovered for resale. The decrease in MRFs is primarily due to the recycling rationalization efforts during 2015.

Commodities recycling — We market and resell recyclable commodities globally to our customers. We manage the marketing of recyclable commodities that are processed in our facilities by maintaining comprehensive service centers that continuously analyze market prices, logistics, market demands and product quality.

Recycling brokerage services — We also provide recycling brokerage services, which involve managing the marketing of recyclable materials for third parties. The experience of our recycling operations in managing recyclable commodities for our own operations gives us the expertise needed to effectively manage volumes for third parties. Utilizing the resources and knowledge of our recycling operations’ service centers, we can assist customers in marketing and selling their recyclable commodities with minimal capital requirements.

Some of the recyclable materials processed in our MRFs are purchased from various sources, including third parties and our own operations. The price we pay for recyclable materials is often referred to as a “rebate.” In some cases rebates are based on fixed contractual rates or on defined minimum per-ton rates but are generally based upon the price we receive for sales of processed goods, market conditions and transportation costs. As a result, changes in commodity prices for recycled materials also significantly affect the rebates we pay to our suppliers, which are recorded as “Operating expenses” within our Consolidated Statements of Operations. In recent years, we have been focused on revising our rebate structures to ensure that we cover our cost of handling and processing the materials and generate an acceptable margin on the materials we process and sell.

Other. Other services we provide include the following:

Although many waste management services such as collection and disposal are local services, our strategic accounts program, which is managed by our Strategic Business Solutions organization, works with customers whose locations span the United States. Our strategic accounts program provides centralized customer service,

billing and management of accounts to streamline the administration of customers' multiple and nationwide locations' waste management needs.

Our Energy and Environmental Services organization offers our customers in all Areas a variety of services in collaboration with our Area and strategic accounts programs, including (i) construction and remediation services; (ii) services associated with the disposal of fly ash, residue generated from the combustion of coal and other fuel stocks; (iii) in-plant services, where our employees work full-time inside our customers' facilities to provide full-service waste management solutions and consulting services; this service is managed through our Energy and Environmental Services organization but reflected principally in our collection business and (iv) specialized disposal services for oil and gas exploration and production operations; revenues for this service are also reflected principally in our collection business. Our vertically integrated waste management operations enable us to provide customers with full management of their waste. The breadth of our service offerings and the familiarity we have with waste management practices gives us the unique ability to assist customers in minimizing the amount of waste they generate, identifying recycling opportunities, determining the most efficient means available for waste collection and disposal and ensuring that disposal is achieved in a manner that is both reflective of the current regulatory environment and environmentally friendly.

We develop, operate and promote projects for the beneficial use of landfill gas through our WM Renewable Energy Program. Landfill gas is produced naturally as waste decomposes in a landfill. The methane component of the landfill gas is a readily available, renewable energy source that can be gathered and used beneficially as an alternative to fossil fuel. The U.S. Environmental Protection Agency ("EPA") endorses landfill gas as a renewable energy resource, in the same category as wind, solar and geothermal resources. At December 31, 2015, we had 136 landfill gas beneficial use projects producing commercial quantities of methane gas at 122 of our solid waste landfills and four third-party landfills. At 108 of these landfills, the processed gas is used to fuel electricity generators. The electricity is then sold to public utilities, municipal utilities or power cooperatives. At 16 landfills, the gas is used at the landfill or delivered by pipeline to industrial customers as a direct substitute for fossil fuels in industrial processes. At 11 landfills, the landfill gas is processed to pipeline-quality natural gas and then sold to natural gas suppliers. At one landfill, the gas is processed into liquefied natural gas and used as vehicle fuel.

We continue to invest in businesses and technologies that are designed to offer services and solutions ancillary or supplementary to our current operations. These investments include joint ventures, acquisitions and partial ownership interests. The solutions and services include the collection of project waste, including construction debris and household or yard waste, through our Bagster® program; the development, operation and marketing of plasma gasification facilities; operation of a landfill gas-to-liquid natural gas plant; solar powered trash compactors; and organic waste-to-fuel conversion technology. We also offer portable self-storage and long distance moving services through a joint venture; fluorescent bulb and universal waste mail-back through our LampTracker® program; portable restroom servicing under the name Port-o-Let®; and street and parking lot sweeping services. In addition, we hold interests in oil and gas producing properties.

Competition

We encounter intense competition from governmental, quasi-governmental and private sources in all aspects of our operations. In North America, the industry consists primarily of two national waste management companies and regional and local companies of varying sizes and financial resources, including companies that specialize in certain discrete areas of waste management, operators of alternative disposal facilities and companies that seek to use parts of the waste stream as feedstock for renewable energy and other by-products. Some of our regional competitors can be significant competitors in local markets and are pursuing aggressive regional growth strategies. We compete with these companies as well as with counties and municipalities that maintain their own waste collection and disposal operations.

Operating costs, disposal costs and collection fees vary widely throughout the areas in which we operate. The prices that we charge are determined locally, and typically vary by volume and weight, type of waste

collected, treatment requirements, risk of handling or disposal, frequency of collections, distance to final disposal sites, the availability of airspace within the geographic region, labor costs and amount and type of equipment furnished to the customer. We face intense competition in our Solid Waste business based on pricing and quality of service. We have also begun competing for business based on breadth of service offerings. As companies, individuals and communities look for ways to be more sustainable, we are investing in greener technologies and promoting our comprehensive services that go beyond our core business of collecting and disposing of waste.

Seasonal Trends

Our operating revenues tend to be somewhat higher in summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends.

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

Employees

At December 31, 2015, we had approximately 40,600 full-time employees, of which approximately 7,400 were employed in administrative and sales positions and the balance in operations. Approximately 8,200 of our employees are covered by collective bargaining agreements.

Financial Assurance and Insurance Obligations

Financial Assurance

Municipal and governmental waste service contracts generally require contracting parties to demonstrate financial responsibility for their obligations under the contract. Financial assurance is also a requirement for (i) obtaining or retaining disposal site or transfer station operating permits; (ii) supporting variable-rate tax-exempt debt and (iii) estimated final capping, closure, post-closure and environmental remedial obligations at many of our landfills. We establish financial assurance using surety bonds, letters of credit, insurance policies, trust and escrow agreements and financial guarantees. The type of assurance used is based on several factors, most importantly: the jurisdiction, contractual requirements, market factors and availability of credit capacity.

Surety bonds and insurance policies are supported by (i) a diverse group of third-party surety and insurance companies; (ii) an entity in which we have a noncontrolling financial interest or (iii) wholly-owned insurance subsidiary, National Guaranty Insurance Company of Vermont, the sole business of which is to issue surety bonds and/or insurance policies on our behalf. Letters of credit generally are supported by our long-term U.S. revolving credit facility (“\$2.25 billion revolving credit facility”) and other credit facilities established for that purpose.

Insurance

We carry a broad range of insurance coverages, including general liability, automobile liability, real and personal property, workers’ compensation, directors’ and officers’ liability, pollution legal liability, business interruption and other coverages we believe are customary to the industry. Our exposure to loss for insurance

claims is generally limited to the per-incident deductible under the related insurance policy. As of December 31, 2015, our commercial General Liability Insurance Policy carried self-insurance exposures of up to \$2.5 million per incident and our workers' compensation insurance program carried self-insurance exposures of up to \$5 million per incident. As of December 31, 2015, our auto liability insurance program included a per-incident base deductible of \$5 million, subject to additional deductibles of \$4.8 million in the \$5 million to \$10 million layer. We do not expect the impact of any known casualty, property, environmental or other contingency to have a material impact on our financial condition, results of operations or cash flows. Our estimated insurance liabilities as of December 31, 2015 are summarized in Note 11 to the Consolidated Financial Statements.

The Directors' and Officers' Liability Insurance policy we choose to maintain covers only individual executive liability, often referred to as "Broad Form Side A," and does not provide corporate reimbursement coverage, often referred to as "Side B." The Side A policy covers directors and officers directly for loss, including defense costs, when corporate indemnification is unavailable. Side A-only coverage cannot be exhausted by payments to the Company, as the Company is not insured for any money it advances for defense costs or pays as indemnity to the insured directors and officers.

Regulation

Our business is subject to extensive and evolving federal, state or provincial and local environmental, health, safety and transportation laws and regulations. These laws and regulations are administered by the U.S. Environmental Protection Agency ("EPA"), Environment Canada, and various other federal, state, provincial and local environmental, zoning, transportation, land use, health and safety agencies in the United States and Canada. Many of these agencies regularly examine our operations to monitor compliance with these laws and regulations and have the power to enforce compliance, obtain injunctions or impose civil or criminal penalties in case of violations. In recent years, we have perceived an increase in both the amount of government regulation and the number of enforcement actions being brought by regulatory entities against operations in the waste services industry. We expect this heightened governmental focus on regulation and enforcement to continue.

Because the primary mission of our business is to collect and manage solid waste in an environmentally sound manner, a significant amount of our capital expenditures are related, either directly or indirectly, to environmental protection measures, including compliance with federal, state or provincial and local rules. There are costs associated with siting, design, permitting, operations, monitoring, site maintenance, corrective actions, financial assurance, and facility closure and post-closure obligations. In connection with our acquisition, development or expansion of a waste management or disposal facility or transfer station, we must often spend considerable time, effort and money to obtain or maintain required permits and approvals. There are no assurances that we will be able to obtain or maintain required governmental approvals. Once obtained, operating permits are subject to renewal, modification, suspension or revocation by the issuing agency. Compliance with current regulations and future requirements could require us to make significant capital and operating expenditures. However, most of these expenditures are made in the normal course of business and do not place us at any competitive disadvantage.

The primary United States federal statutes affecting our business are summarized below:

- The Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, regulates handling, transporting and disposing of hazardous and non-hazardous waste and delegates authority to states to develop programs to ensure the safe disposal of solid waste. In 1991, the EPA issued its final regulations under Subtitle D of RCRA, which set forth minimum federal performance and design criteria for solid waste landfills. These regulations are typically implemented by the states, although states can impose requirements that are more stringent than the Subtitle D standards. We incur costs in complying with these standards in the ordinary course of our operations.
- The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, ("CERCLA") which is also known as Superfund, provides for federal authority to respond directly to

releases or threatened releases of hazardous substances into the environment that have created actual or potential environmental hazards. CERCLA's primary means for addressing such releases is to impose strict liability for cleanup of disposal sites upon current and former site owners and operators, generators of the hazardous substances at the site and transporters who selected the disposal site and transported substances thereto. Liability under CERCLA is not dependent on the intentional release of hazardous substances; it can be based upon the release or threatened release, even as a result of lawful, unintentional and non-negligent action, of hazardous substances as the term is defined by CERCLA and other applicable statutes and regulations. The EPA may issue orders requiring responsible parties to perform response actions at sites, or the EPA may seek recovery of funds expended or to be expended in the future at sites. Liability may include contribution for cleanup costs incurred by a defendant in a CERCLA civil action or by an entity that has previously resolved its liability to federal or state regulators in an administrative or judicially-approved settlement. Liability under CERCLA could also include obligations to a potentially responsible party, or PRP, that voluntarily expends site clean-up costs. Further, liability for damage to publicly-owned natural resources may also be imposed. We are subject to potential liability under CERCLA as an owner or operator of facilities at which hazardous substances have been disposed and as a generator or transporter of hazardous substances disposed of at other locations.

- The Federal Water Pollution Control Act of 1972, as amended, known as the Clean Water Act, regulates the discharge of pollutants into streams, rivers, groundwater, or other surface waters from a variety of sources, including solid and hazardous waste disposal sites. If run-off from our operations may be discharged into surface waters, the Clean Water Act requires us to apply for and obtain discharge permits, conduct sampling and monitoring, and, under certain circumstances, reduce the quantity of pollutants in those discharges. In 1990, the EPA issued additional standards for management of storm water runoff that require landfills and other waste-handling facilities to obtain storm water discharge permits. In addition, if a landfill or other facility discharges wastewater through a sewage system to a publicly-owned treatment works, the facility must comply with discharge limits imposed by the treatment works. Also, before the development or expansion of a landfill can alter or affect "wetlands," a permit may have to be obtained providing for mitigation or replacement wetlands. The Clean Water Act provides for civil, criminal and administrative penalties for violations of its provisions.
- The Clean Air Act of 1970, as amended, provides for increased federal, state and local regulation of the emission of air pollutants. Certain of our operations are subject to the requirements of the Clean Air Act, including large municipal solid waste landfills and landfill gas-to-energy facilities. In 1996 the EPA issued new source performance standards ("NSPS") and emission guidelines controlling landfill gases from new and existing large landfills. In January 2003, the EPA issued Maximum Achievable Control Technology ("MACT") standards for municipal solid waste landfills subject to the NSPS. These regulations impose limits on air emissions from large municipal solid waste landfills, subject most of our large municipal solid waste landfills to certain operating permit requirements under Title V of the Clean Air Act and, in many instances, require installation of landfill gas collection and control systems to control emissions or to treat and utilize landfill gas on- or off-site. The EPA entered into a settlement agreement with the Environmental Defense Fund to evaluate the 1996 NSPS for new landfills as required by the Clean Air Act every eight years and revise them if deemed necessary. The EPA published a proposed NSPS rule July 17, 2014, followed by a supplemental proposed NSPS rule and a proposed emission guidelines rule on August 27, 2015. The EPA entered into a consent decree to finalize the NSPS rule in July 2016. The EPA also expects to finalize the emission guidelines rule in July 2016. Where we identified potential for increased capital and operating expenses, we provided formal comment and technical support to the EPA to minimize the impact to our operations. We expect the EPA will address our comments in the final rule. Where the EPA does not address our comments in the final rule, we will re-assess the capital and operating cost impact to our operations. Should the EPA adopt more stringent requirements, capital expenditures and operating costs may increase. However, we do not believe that the regulatory changes would have a material adverse impact on our business as a whole.

Additionally, emission and fuel economy standards have been imposed on manufacturers of transportation vehicles (including heavy-duty waste collection vehicles). The EPA and the Department of Transportation proposed Greenhouse Gas Emissions and Fuel Efficiency Standards for Medium and Heavy-Duty Engines and Vehicles – Phase 2 on July 13, 2015. The rule, expected to be finalized in the fall of 2016, will increase fuel economy standards and reduce vehicle emissions standards for our collection fleet between model years 2021 and 2027; however, we expect to be able to purchase compliant vehicles that will meet our operational needs. The regulations could increase the costs of operating our fleet, but we do not believe any such regulations would have a material adverse impact on our business as a whole.

- The Occupational Safety and Health Act of 1970, as amended, (“OSHA”) establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration, and various reporting and record keeping obligations as well as disclosure and procedural requirements. Various standards for notices of hazards, safety in excavation and demolition work and the handling of asbestos, may apply to our operations. The Department of Transportation and OSHA, along with other federal agencies, have jurisdiction over certain aspects of hazardous materials and hazardous waste, including safety, movement and disposal. Various state and local agencies with jurisdiction over disposal of hazardous waste may seek to regulate movement of hazardous materials in areas not otherwise preempted by federal law.

We are also actively monitoring the following recent developments in United States federal regulations affecting our business:

- In 2010, the EPA issued the Prevention of Significant Deterioration (“PSD”) and Title V Greenhouse Gas (“GHG”) Tailoring Rule, which expanded the EPA’s federal air permitting authority to include the six GHGs, including methane and carbon dioxide. The rule sets new thresholds for GHG emissions that define when Clean Air Act permits are required. The requirements of these rules have not significantly affected our operations or cash flows, due to the tailored thresholds and exclusions of certain emissions from regulation.

In June 2014, the U.S. Supreme Court issued a decision that significantly limited the applicability and scope of EPA permitting requirements for GHGs from stationary sources, concluding that: the EPA may not treat GHGs as an air pollutant for purposes of determining whether a source is required to obtain a PSD or Title V permit; and the EPA can continue to require that PSD permits otherwise required based on emissions of conventional pollutants contain limitations on GHG emissions based on Best Available Control Technology (“BACT”). Following this ruling, the EPA issued a policy memorandum in July 2014 advising that Supreme Court ruling effectively narrows the scope of biogenic CO₂ permitting issues that remain for the EPA to address. Further, the EPA states in its November 19, 2014 memorandum that it intends to propose revisions to the PSD exempting biogenic carbon dioxide emissions from waste-derived feedstocks (municipal solid waste and landfill gas) from PSD and Title V air permitting. The EPA anticipates basing this proposal on the rationale that those emissions are likely to have minimal or no net atmospheric contributions, or even reduce such impacts, when compared to an alternate method of disposal. As a result of this U.S. Supreme Court ruling and EPA policy action, the potential impact of the PSD and Title V GHG Tailoring Rule on our air permits, compliance and results of operations is significantly reduced.

Other recent final and proposed rules to increase the stringency of certain National Ambient Air Quality Standards, such as the Ozone rule finalized in October 2015, and related PSD increment/significance thresholds could affect the cost, timeliness and availability of air permits for new and modified large municipal solid waste landfills and landfill gas-to-energy facilities. In general, controlling emissions involves installing collection wells in a landfill and routing the gas to a suitable energy recovery system or combustion device. At December 31, 2015, we had 136 projects at solid waste landfills where landfill gas was captured and utilized for its renewable energy value rather than

flared. Efforts to curtail the emission of GHGs and to ameliorate the effect of climate change may require our landfills to deploy more stringent emission controls, with associated capital or operating costs; however, we do not believe that such regulations will have a material adverse impact on our business as a whole. See Item 1A. *Risk Factors* —*The adoption of climate change legislation or regulations restricting emissions of “greenhouse gases” could increase our costs to operate.*

The EPA clarified in its November 19, 2014 policy memorandum that states may rely on waste-derived biogenic feedstocks in their future proposed compliance plans required by the final Clean Power Plan rules and the proposed federal plan, both published in October 2015, which may create new or expanded opportunities for renewable energy projects. According to the EPA, the federal plan would fill any gaps pending implementation of State or Tribal plans to achieve required emissions reductions, but would no longer apply when a State or Tribal plan is approved.

We are taking steps to anticipate the future needs of our customers which include investing in and developing ever-more-advanced recycling and reuse technologies. Potential climate change and GHG regulatory initiatives have influenced our business strategy to provide low-carbon services to our customers, and we increasingly view our ability to offer lower carbon services as a key component of our business growth. If the U.S. were to impose a carbon tax or other form of GHG regulation increasing demand for low-carbon service offerings in the future, the services we are developing will be increasingly valuable.

- In 2011, the EPA published the Non-Hazardous Secondary Materials (“NHSM”) Rule, which provides the standards and procedures for identifying whether NHSM are solid waste under RCRA when used as fuels or ingredients in combustion units. The EPA also published new source performance standards and emission guidelines for commercial and industrial solid waste incineration units (“CISWI”) and Maximum Achievable Control Technology Standards for commercial and industrial boilers (“Boiler MACT”). The EPA published clarifications and amendments to the three rules in 2013, that are generally favorable to our industry. While there is ongoing litigation concerning the CISWI and Boiler MACT rules, the Court of Appeals for the D.C. Circuit has upheld the NHSM Rule and amendments that support some of our projects in which we are seeking to convert biomass or other secondary materials into products, fuels or energy. It is not possible to quantify the financial impact of all these rulemakings at the present time given pending litigation and administrative determinations. However, we believe the rules and administrative determinations will not have a material adverse impact on our business as a whole and are more likely to facilitate our efforts to reuse or recover energy value from secondary material streams.
- In December 2014, the EPA issued a final rule regulating the disposal and beneficial use of coal combustion residuals (“CCR”). The regulations encourage beneficial use of CCR in encapsulated uses (e.g., used in cement or wallboard), and use according to established industry standards (e.g., application of sludge for agricultural enrichment). The EPA also deemed disposal and beneficial use of CCR at permitted municipal solid waste landfills exempt from the new regulations because the RCRA Subtitle D standards applicable at municipal solid waste landfills provide at least equivalent protection. The new standards are consistent with our approach to handling CCR at our sites currently, and we believe the new standards will provide a potential growth opportunity for the Company. States may impose standards more stringent than the federal program, and we will be monitoring state implementation to determine impact.

State, Provincial and Local Regulations

There are also various state or provincial and local regulations that affect our operations. Each state and province in which we operate has its own laws and regulations governing solid waste disposal, water and air pollution, and, in most cases, releases and cleanup of hazardous substances and liabilities for such matters. States and provinces have also adopted regulations governing the design, operation, maintenance and closure of landfills and transfer stations. Some counties, municipalities and other local governments have adopted similar laws and regulations. Our facilities and operations are likely to be subject to these types of requirements.

Our landfill operations are affected by the increasing preference for alternatives to landfill disposal. Many 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, food waste, and electronics at landfills. The number of state and local governments with recycling requirements and disposal bans continues to grow, while the logistics and economics of recycling the items remain challenging.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of solid waste generated outside the state. While laws that overtly discriminate against out-of-state waste have been found to be unconstitutional, some laws that are less overtly discriminatory have been upheld in court. From time to time, the United States Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of out-of-state or out-of-jurisdiction waste. Additionally, several state and local governments have enacted “flow control” regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific sites. In 1994, the United States Supreme Court ruled that a flow control ordinance that gave preference to a local facility that was privately owned was unconstitutional, but in 2007, the Court ruled that an ordinance directing waste to a facility owned by the local government was constitutional. The United States Congress’ adoption of legislation allowing restrictions on interstate transportation of out-of-state or out-of-jurisdiction waste or certain types of flow control, or courts’ interpretations of interstate waste and flow control legislation, could adversely affect our solid and hazardous waste management services.

Additionally, regulations establishing extended producer responsibility (“EPR”) are being considered or implemented in many places around the world, including in Canada and the U.S. EPR regulations are designed to place either partial or total responsibility on producers to fund the post-use life cycle of the products they create. Along with the funding responsibility, producers may be required to take over management of local recycling programs by taking back their products from end users or managing the collection operations and recycling processing infrastructure. There is no federal law establishing EPR in the U.S. or Canada; however, state, provincial and local governments could, and in some cases have, taken steps to implement EPR regulations. If wide-ranging EPR regulations were adopted, they could have a fundamental impact on the waste, recycling and other streams we manage and how we operate our business, including contract terms and pricing.

Many states, provinces and local jurisdictions have enacted “fitness” laws that allow the agencies that have jurisdiction over waste services contracts or permits to deny or revoke these contracts or permits based on the applicant’s or permit holder’s compliance history. Some states, provinces and local jurisdictions go further and consider the compliance history of the parent, subsidiaries or affiliated companies, in addition to the applicant or permit holder. These laws authorize the agencies to make determinations of an applicant’s or permit holder’s fitness to be awarded a contract to operate, and to deny or revoke a contract or permit because of unfitness, unless there is a showing that the applicant or permit holder has been rehabilitated through the adoption of various operating policies and procedures put in place to assure future compliance with applicable laws and regulations.

Foreign Import Regulation

Enforcement or implementation of foreign regulations can affect our ability to export products. In 2013, the Chinese government began to strictly enforce regulations that establish limits on moisture and non-conforming materials that may be contained in imported recycled paper and plastics as well as restricting the import of certain other plastic recyclables. The higher quality expectations resulting from initiatives such as “Operation Green Fence” have driven up operating costs in the recycling industry, particularly for single stream MRFs. Single stream MRFs process a wide range of commingled materials and tend to receive a higher percentage of non-recyclables, which results in increased processing and residual disposal costs. Despite these increased costs, we believe we are well positioned among our potential competitors to respond to and comply with such regulations. We are revising our service agreements to address these increased costs and are working with stakeholders to educate the general public on the need to recycle properly.

Hydraulic Fracturing Regulation

Our Energy Services line of business provides specialized environmental management and disposal services for oil and gas exploration and production operations. There remains heightened attention from the public, some states and the EPA on the alleged potential for hydraulic fracturing to impact drinking water supplies. There is also heightened federal regulatory focus on emissions of methane that occur during drilling and transportation of natural gas with regulations promulgated in 2012 and 2015, as well as state attention to protective disposal of drilling residuals. Increased regulation of hydraulic fracturing and new rules regarding the treatment and disposal of wastes associated with exploration and production operations could increase our costs to provide oilfield services and reduce our margins and revenue from such services. On the other hand, we believe the size, capital structure, regulatory sophistication and established reliability of our Company provide us with an advantage in providing services that must comply with any complex regulatory regime that may govern providing oilfield waste services.

Emissions from Natural Gas Fueling and Infrastructure

We operate a large fleet of natural gas vehicles, and we plan to continue to invest in these assets for our collection fleet. As of December 31, 2015, we were operating 84 natural gas fueling facilities, 28 of which also serve the public or pre-approved third parties, in 30 states and three Canadian provinces. Concerns have been raised about the potential for emissions from the fueling stations and infrastructure that serve natural gas-fueled vehicles. We have partnered with the environmental organization Environmental Defense Fund, as well as other heavy-duty equipment users and experts, on an emissions study to be made available to policy makers. We anticipate that this comprehensive study of emissions from our heavy-duty fleet may ultimately help inform regulations that will affect equipment manufacturers and will define operating procedures across the industry. Additional regulation of, or restrictions on, natural gas fueling infrastructure or reductions in associated tax incentives could increase our operating costs. We are not yet able to evaluate potential operating changes or costs associated with such regulations, but we do not anticipate that such regulations would have a material adverse impact on our business or our future investment in natural gas vehicles.

Federal, State and Local Climate Change Initiatives

In light of regulatory and business developments related to concerns about climate change, we have identified a strategic business opportunity to provide our public and private sector customers with sustainable solutions to reduce their GHG emissions. As part of our on-going marketing evaluations, we assess customer demand for and opportunities to develop waste services offering verifiable carbon reductions, such as waste reduction, increased recycling, and conversion of landfill gas and discarded materials into electricity and fuel. We use carbon life cycle tools in evaluating potential new services and in establishing the value proposition that makes us attractive as an environmental service provider. We are active in support of public policies that encourage development and use of lower carbon energy and waste services that lower users' carbon footprints. We understand the importance of broad stakeholder engagement in these endeavors, and actively seek opportunities for public policy discussion on more sustainable materials management practices. In addition, we work with stakeholders at the federal and state level in support of legislation that encourages production and use of renewable, low-carbon fuels and electricity.

We continue to assess the physical risks to company operations from the effects of severe weather events and use risk mitigation planning to increase our resiliency in the face of such events. We are investing in infrastructure to withstand more severe storm events, which may afford us a competitive advantage and reinforce our reputation as a reliable service provider through continued service in the aftermath of such events.

Item 1A. Risk Factors.

In an effort to keep our stockholders and the public informed about our business, we may make "forward-looking statements." Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements are often

identified by the words, “will,” “may,” “should,” “continue,” “anticipate,” “believe,” “expect,” “plan,” “forecast,” “project,” “estimate,” “intend” and words of a similar nature and generally include statements containing:

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

You should view these statements with caution. These statements are not guarantees of future performance, circumstances or events. They are based on facts and circumstances known to us as of the date the statements are made. All aspects of our business are subject to uncertainties, risks and other influences, many of which we do not control. Any of these factors, either alone or taken together, could have a material adverse effect on us and could change whether any forward-looking statement ultimately turns out to be true. Additionally, we assume no obligation to update any forward-looking statement as a result of future events, circumstances or developments. The following discussion should be read together with the Consolidated Financial Statements and the notes thereto. Outlined below are some of the risks that we believe could affect our business and financial statements for 2016 and beyond and that could cause actual results to be materially different from those that may be set forth in forward-looking statements made by the Company.

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 primarily of two national waste management companies and regional and local companies of varying sizes and financial resources, including companies that specialize in certain discrete areas of waste management, operators of alternative disposal facilities and companies that seek to use parts of the waste stream as feedstock for renewable energy and other by-products. Some of our regional competitors can be significant competitors in local markets and are pursuing aggressive regional growth strategies. 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, some of our competitors may have lower financial expectations, allowing them to reduce their prices to expand sales volume or to win competitively-bid contracts, including large national accounts and exclusive franchise arrangements with municipalities. When this happens, we may lose customers and be unable to execute our pricing strategy, resulting in a negative impact to our revenue growth from yield on base business.

If we fail to implement our business strategy, our financial performance and our growth could be materially and adversely affected.

Our future financial performance and success are dependent in large part upon our ability to implement our business strategy successfully. Implementation of our strategy will require effective management of our operational, financial and human resources and will place significant demands on those resources. See Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview* for more information on our business strategy.

There are risks involved in pursuing our strategy, including the following:

- Our employees, customers or investors may not embrace and support our strategy.

- We may not be able to hire or retain the personnel necessary to manage our strategy effectively.
- A key element of our strategy is yield management through focus on price leadership, which has presented challenges to keep existing business and win new business at reasonable returns. We have also continued our environmental fee and fuel surcharge programs to offset costs. The loss of volumes as a result of price increases and our unwillingness to pursue lower margin volumes may negatively affect our cash flows or results of operations.
- We may be unsuccessful in implementing improvements to operational efficiency and such efforts may not yield the intended result.
- We may not be able to maintain cost savings achieved through restructuring efforts.
- Strategic decisions with respect to our asset portfolio may result in impairments to our assets. See Item 1A. *Risk Factors — We may record material charges against our earnings due to impairments to our assets.*
- Our ability to make strategic acquisitions depends on our ability to identify desirable acquisition targets, negotiate advantageous transactions despite competition for such opportunities, fund such acquisitions on favorable terms, and realize the benefits we expect from those transactions.
- Acquisitions, investments and/or new service offerings may not increase our earnings in the timeframe anticipated, or at all, due to difficulties operating in new markets or providing new service offerings, failure of emerging technologies to perform as expected, failure to operate within budget, integration issues, or regulatory issues, among others.
- Integration of acquisitions and/or new services offerings could increase our exposure to the risk of inadvertent noncompliance with applicable laws and regulations.
- Execution of our strategy, particularly growth through acquisitions, may cause us to incur substantial additional indebtedness, which may divert capital away from our traditional business operations and other financial plans.
- We continue to seek to divest underperforming and non-strategic assets if we cannot improve their profitability. We may not be able to successfully negotiate the divestiture of underperforming and non-strategic operations, which could result in asset impairments or the continued operation of low-margin businesses.

In addition to the risks set forth above, implementation of our business strategy could also be affected by a number of factors beyond our control, such as increased competition, legal developments, government regulation, general economic conditions, increased operating costs or expenses and changes in industry trends. We may decide to alter or discontinue certain aspects of our business strategy at any time. If we are not able to implement our business strategy successfully, our long-term growth and profitability may be adversely affected. Even if we are able to implement some or all of the initiatives of our business strategy successfully, our operating results may not improve to the extent we anticipate, or at all.

Compliance with existing or future regulations and/or enforcement of such regulations may restrict or change our operations, increase our operating costs 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, and compliance with such regulations is costly. A large number of complex laws, rules, orders and interpretations govern environmental protection, health, safety, land use, zoning, transportation and related matters. In recent years, we have perceived an increase in both the amount of government regulation and the number of enforcement actions being brought by regulatory entities against operations in the waste services industry. We expect this heightened governmental focus on regulation and enforcement to continue. Among other things, governmental regulations and enforcement actions 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, recycling or processing facilities or on 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;
- mandates regarding the management of solid waste, including requirements to recycle, divert or otherwise process certain waste, recycling and other streams; or
- limitations or restrictions on the recycling, processing or transformation of waste, recycling and other 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.

We also have significant financial obligations relating to final capping, closure, post-closure and environmental remediation at our existing landfills. We establish accruals for these estimated costs, but we could underestimate such accruals. Environmental regulatory changes could accelerate or increase capping, closure, post-closure and remediation costs, requiring our expenditures to materially exceed our current accruals.

Various states have enacted, or are considering enacting, laws that restrict the disposal within the state of solid waste generated outside the state. From time to time, the United States Congress has considered legislation authorizing states to adopt regulations, restrictions, or taxes on the importation of out-of-state or out-of-jurisdiction waste. Additionally, several state and local governments have enacted “flow control” regulations, which attempt to require that all waste generated within the state or local jurisdiction be deposited at specific sites. The United States Congress’ adoption of legislation allowing restrictions on interstate transportation of out-of-state or out-of-jurisdiction waste certain types of flow control, or courts’ interpretations of interstate waste and flow control legislation, could adversely affect our solid and hazardous waste management services.

Additionally, regulations establishing extended producer responsibility, or EPR, are being considered or implemented in many places around the world, including in Canada and the U.S. EPR regulations are designed to place either partial or total responsibility on producers to fund the post-use life cycle of the products they create. Along with the funding responsibility, producers may be required to take over management of local recycling programs by taking back their products from end users or managing the collection operations and recycling processing infrastructure. There is no federal law establishing EPR in the U.S. or Canada; however, state, provincial and local governments could, and in some cases have, taken steps to implement EPR regulations. If wide-ranging EPR regulations were adopted, they could have a fundamental impact on the waste streams we manage and how we operate our business, including contract terms and pricing. A significant reduction in the waste, recycling and other streams we manage could have a material adverse effect on our financial condition, results of operations and cash flows.

Enforcement or implementation of foreign regulations can affect our ability to export products. In 2013, the Chinese government began to strictly enforce regulations that establish limits on moisture and non-conforming materials that may be contained in imported recycled paper and plastics as well as restricting the import of certain other plastic recyclables. The higher quality expectations resulting from initiatives such as “Operation Green Fence” have driven up operating costs in the recycling industry, particularly for single stream MRFs. Single stream MRFs process a wide range of commingled materials and tend to receive a higher percentage of non-recyclables, which results in increased processing and residual disposal costs. If Operation Green Fence or other similar initiatives or

new regulations increase our operating costs in the future, and we are not able to recapture those costs from our customers, such regulations could have a material adverse effect on our results of operations.

Our revenues, earnings and cash flows will fluctuate based on changes in commodity prices.

Our recycling operations process for sale certain recyclable materials, including fibers, aluminum and plastics, 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 and old newsprint. The fluctuations in the market prices or demand for these commodities, particularly demand from Chinese paper mills, can affect our operating income and cash flows negatively, such as we experienced in 2015, 2014 and 2013. As we have increased the size of our recycling operations, we have also increased our exposure to commodity price fluctuations. The decline in market prices in 2015, 2014 and 2013 for commodities resulted in year-over-year decreases in revenue of \$138 million, \$53 million and \$79 million, respectively. Additionally, under some agreements, our recycling operations are required to pay rebates to suppliers. In some cases, if we experience higher revenues based on increased market prices for commodities, the rebates we pay will also increase. In other circumstances, the rebates may be subject to a floor, such that as market prices decrease, any expected profit margins on materials subject to the rebate floor are reduced or eliminated. As we work to revise service agreements to mitigate the impact of commodity price fluctuations, the potential increase in the cost for recycling services may make it more difficult for us to win bids and may slow the growth of recycling overall until market conditions improve.

Fluctuation in energy prices also affects our business, including recycling of plastics manufactured from petroleum products. Significant variations in the price of methane gas, electricity and other energy-related products that are marketed and sold by our landfill gas recovery operations can result in corresponding significant impact to our revenue from yield from such operations. Additionally, we provide specialized disposal services for oil and gas exploration and production operations through our Energy Services business. Demand for these services may decrease if drilling activity slows due to changes in oil and gas prices, such as the pronounced price decreases in late 2014 and 2015. Any of the commodity prices to which we are subject may fluctuate substantially and without notice in the future.

Changes in regulations applicable to oil and gas drilling and production could adversely affect our Energy Services business.

Energy Services business demand may also be adversely affected if drilling activity slows due to industry conditions beyond our control, in addition to changes in oil and gas prices. Changes in laws or government regulations regarding GHG emissions from oil and gas operations and/or hydraulic fracturing could increase our customers' costs of doing business and reduce oil and gas exploration and production by customers. There remains heightened attention from the public, some states and the EPA to the alleged potential for hydraulic fracturing to impact drinking water supplies. There is also heightened federal regulatory focus on emissions of methane that occur during drilling and transportation of natural gas with regulations promulgated in 2012 and 2015 as well as state attention to protective disposal of drilling residuals. Increased regulation of oil and gas exploration and production and new rules regarding the treatment and disposal of wastes associated with exploration and production operations could increase our costs to provide oilfield services and reduce our margins and revenue from such services.

Increasing customer preference for alternatives to landfill disposal could reduce our landfill volumes and cause our revenues and operating results to decline.

Our customers are increasingly diverting waste to alternatives to landfill disposal, such as recycling and composting, while also working to reduce the amount of waste they generate. In addition, many state and local governments mandate diversion, recycling and waste reduction at the source and prohibit the disposal of certain types of waste, such as yard waste, food waste, and electronics at landfills. Where such organic waste is not

banned from the landfill, some large customers such as grocery stores and restaurants are choosing to divert their organic waste from landfills. Zero-waste goals (sending no waste to the landfill) have been set by many of North America's largest companies. Although such mandates and initiatives help to protect our environment, these developments reduce the volume of waste going to our landfills which may affect the prices that we can charge for landfill disposal. Our landfills currently provide and, together with our divested waste-to-energy facilities, have historically provided our highest income from operations margins. If we are not successful in expanding our service offerings and growing lines of businesses to service waste streams that do not go to landfills and to provide services for customers that wish to reduce waste entirely, then our revenues and operating results may decline. Additionally, despite the development of new service offerings and lines of business, it is possible that our revenues and our income from operations margins could be negatively affected due to disposal alternatives.

Developments in technology could trigger a fundamental change in the waste management industry, as waste streams are increasingly viewed as a resource, which may adversely impact volumes at our landfills and our profitability.

Our Company and others have recognized the value of the traditional waste stream as a potential resource. Research and development activities are on-going to provide disposal alternatives that maximize the value of waste, including using waste as a source for renewable energy and other valuable by-products. We and many other companies are investing in these technologies. It is possible that such investments and technological advancements may reduce the cost of waste disposal or the value of landfill gas recovery to a level below our costs and may reduce the demand for landfill space. As a result, our revenues and margins could be adversely affected due to advancements in disposal alternatives.

If we are not able to develop new service offerings and protect intellectual property, or if a competitor develops or obtains exclusive rights to a breakthrough technology, our financial results may suffer.

Our existing and proposed service offerings to customers may require that we invest in, develop or license, and protect, new technologies. Research and development of new technologies and investment in emerging technologies often requires significant spending that may divert capital investment away from our traditional business operations. We may experience difficulties or delays in the research, development, production and/or marketing of new products and services or emerging technologies in which we have invested, which may negatively impact our operating results and prevent us from recouping or realizing a return on the investments required to bring new products and services to market. Further, protecting our intellectual property rights and combating unlicensed copying and use of intellectual property is difficult, and any inability to obtain or protect new technologies could impact our services to customers and development of new revenue sources. Our Company and others are increasingly focusing on new technologies that provide alternatives to traditional disposal and maximize the resource value of waste. If a competitor develops or obtains exclusive rights to a "breakthrough technology" that provides a revolutionary change in traditional waste management, or if we have inferior intellectual property to our competitors, our financial results may suffer.

Our business depends on our reputation and the value of our brand.

We believe we have developed a reputation for high-quality service, reliability and social and environmental responsibility, and we believe our brand symbolizes these attributes. The Waste Management brand name, trademarks and logos and our reputation are powerful sales and marketing tools, and we devote significant resources to promoting and protecting them. Adverse publicity, whether or not justified, relating to activities by our operations, employees or agents could tarnish our reputation and reduce the value of our brand. Damage to our reputation and loss of brand equity could reduce demand for our services. This reduction in demand, together with the dedication of time and expense necessary to defend our reputation, could have an adverse effect on our financial condition, liquidity and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand.

Our operations are subject to environmental, health and safety laws and regulations, as well as contractual obligations that may result in significant liabilities.

There is risk of incurring significant environmental liabilities in the use, treatment, storage, transfer and disposal of waste materials. Under applicable environmental laws and regulations, 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, we could also be held liable for damage caused by conditions that existed before we acquired the assets or operations involved. This risk is of particular concern as we execute our growth strategy, partially through acquisitions, because we may be unsuccessful in identifying and assessing potential liabilities during our due diligence investigations. Further, the counterparties in such transactions may be unable to perform their indemnification obligations owed to us. Additionally, 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, we are currently, and we may in the future, become involved in 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, citizen groups, 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.

Further, we often enter into agreements with landowners imposing obligations on us to meet certain regulatory or contractual conditions upon site closure or upon termination of the agreements. Compliance with these agreements inherently involves subjective determinations and may result in disputes, including litigation. Costs to remediate or restore the condition of closed sites may be significant.

General economic conditions can directly and adversely affect our revenues and our income from operations margins.

Our business is directly 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. A weak economy generally results in decreased consumer spending and decreases in volumes of waste generated, which decreases our revenues. A weak market for consumer goods can significantly decrease demand by paper mills for recycled corrugated cardboard used in packaging; such decrease in demand can negatively impact commodity prices and our operating income and cash flows. In addition, we have a relatively high fixed-cost structure, which is difficult to quickly adjust to match shifting volume levels. Consumer uncertainty and the loss of consumer confidence may limit the number or amount of services requested by customers. Economic conditions may also limit our ability to implement our pricing strategy. For example, many of our contracts have price adjustment provisions that are tied to an index such as the Consumer Price Index, and our costs may increase in excess of the increase, if any, in the Consumer Price Index. Additionally, a prolonged economic downturn in China could significantly impact prices for post-consumer fiber and metals processed by our recycling operations.

Some of our customers, including governmental entities, have suffered financial difficulties affecting their credit risk, which could negatively impact our operating results.

We provide service to a number of governmental entities and municipalities, some of which have suffered significant financial difficulties in recent years, due in part to reduced tax revenue and/or high cost structures. Some of these entities could be unable to pay amounts owed to us or renew contracts with us at previous or increased rates.

Many non-governmental customers have also suffered serious financial difficulties, including bankruptcy in some cases. Purchasers of our recyclable commodities can be particularly vulnerable to financial difficulties in times of commodity price volatility. The inability of our customers to pay us in a timely manner or to pay increased rates, particularly large national accounts, could negatively affect our operating results.

In addition, the financial difficulties of municipalities could result in a decline in investors' demand for municipal bonds and a correlating increase in interest rates. As of December 31, 2015, we had \$491 million of variable-rate tax-exempt bonds with interest rates reset on either a daily or a weekly basis through a remarketing process and \$316 million of tax-exempt bonds with term interest rate periods that are subject to repricing within the next 12 months, which is prior to their scheduled maturities. If the weakness in the municipal debt market results in repricing of our tax-exempt bonds at significantly higher interest rates, we will incur increased interest expenses that may negatively affect our operating results and cash flows.

We may be unable to obtain or maintain required permits or to expand existing permitted capacity of our landfills, which could decrease our revenue and increase our costs.

Our ability to meet our financial and operating objectives depends in part on our ability to obtain and maintain the permits necessary to operate landfill sites. Permits to build, operate and expand solid waste management facilities, including landfills and transfer stations, have become more difficult and expensive to obtain and maintain. Permits often take years to obtain as a result of numerous hearings and compliance requirements with regard to zoning, environmental and other regulations. These permits are also often subject to resistance from citizen or other groups and other political pressures. Local communities and citizen groups, adjacent landowners or governmental agencies may oppose the issuance of a permit or approval we may need, allege violations of the permits under which we currently operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage. Responding to these challenges has, at times, increased our costs and extended the time associated with establishing new facilities and expanding existing facilities. In addition, failure to receive regulatory and zoning approval may prohibit us from establishing new facilities or expanding existing facilities. Our failure to obtain the required permits to operate our landfills could have a material adverse impact on our consolidated financial condition, results of operations and cash flows.

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

The price and supply of diesel fuel 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 ("OPEC") and other oil and gas producers, regional production patterns, weather conditions and environmental concerns. We need diesel fuel to run a significant portion of our collection and transfer trucks and our equipment used in our landfill operations. Supply shortages could substantially increase our operating expenses. Additionally, if 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. Additionally, we recently agreed on settlement terms for two cases that pertained to our fuel and environmental charges included on our invoices, and we may face similar claims in the future. See Note 11 of the Consolidated Financial Statements for more information. Regardless of any offsetting surcharge programs, increased operating costs due to higher diesel fuel prices will decrease our income from operations margins.

We have an extensive natural gas truck fleet, which makes us partially dependent on the availability of natural gas and fueling infrastructure and vulnerable to natural gas prices.

We operate a large fleet of natural gas vehicles, and we plan to continue to invest in these assets for our collection fleet. However, natural gas fueling infrastructure is not yet broadly available in North America; as a result, we have constructed and operate natural gas fueling stations, some of which also serve the public or pre-approved third parties. It will remain necessary for us to invest capital in fueling infrastructure in order to power our natural gas fleet. Concerns have been raised about the potential for emissions from fueling infrastructure that serve natural gas-fueled vehicles. New regulation of, or restrictions on, natural gas fueling infrastructure or reductions in associated tax incentives could increase our operating costs. Additionally, fluctuations in the price and supply of natural gas could substantially increase our operating expenses, and a reduction in the existing cost differential between natural gas and diesel fuel could materially reduce the benefits we anticipate from our investment in natural gas vehicles. Further, our fuel surcharge program is currently indexed to diesel fuel prices, and price fluctuations for natural gas may not effectively be recovered by this program.

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 the operation of our current information technology systems or the technology systems of third parties on which we rely, as well as 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. Inabilities and delays in implementing new systems can also affect our ability to realize projected or expected cost savings. Additionally, any systems failures could impede our ability to timely collect and report financial results in accordance with applicable laws and regulations.

A cybersecurity incident could negatively impact our business and our relationships with customers.

We use computers in substantially all aspects of our business operations. We also use mobile devices, social networking and other online activities to connect with our employees and our customers. Such uses give rise to cybersecurity risks, including security breach, espionage, system disruption, theft and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' personal information, private information about employees, and financial and strategic information about the Company and its business partners. We also rely on a Payment Card Industry compliant third party to protect our customers' credit card information. Further, as the Company pursues its strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure, the Company is also expanding and improving its information technologies, resulting in a larger technological presence and corresponding exposure to cybersecurity risk. If we fail to assess and identify cybersecurity risks associated with acquisitions and new initiatives, we may become increasingly vulnerable to such risks. Additionally, while we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. The theft, destruction, loss, misappropriation, or release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability and competitive disadvantage.

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

Labor unions continually attempt to organize our employees, and these efforts will likely continue in the future. Certain groups of our employees are currently represented by unions, and we have negotiated collective bargaining agreements with these unions. 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. If we are unable to negotiate acceptable collective bargaining agreements, our operating expenses could increase significantly as a result of work stoppages, including strikes. Any of these matters could adversely affect our financial condition, results of operations and cash flows.

We could face significant liabilities for withdrawal from multiemployer pension plans.

We are a participating employer in a number of trustee-managed multiemployer, defined benefit pension plans for employees who are covered by collective bargaining agreements. In the event of our withdrawal from multiemployer pension plan, we may incur expenses associated with our obligations for unfunded vested benefits at the time of the withdrawal. Depending on various factors, future withdrawals could have a material adverse effect on results of operations or cash flows for a particular reporting period. We have previously withdrawn several employee bargaining units from underfunded multiemployer pension plans, and we recognized related expenses of \$51 million in 2015, \$4 million in 2014 and \$5 million in 2013. See Notes 10 and 11 to the Consolidated Financial Statements for more information related to our participation in multiemployer pension plans.

Our business is subject to operational and safety risks, including the risk of personal injury to employees and others.

Providing environmental and waste management services, including constructing and operating landfills, involves risks such as truck accidents, equipment defects, malfunctions and failures. Additionally, we closely monitor and manage landfills to minimize the risk of waste mass instability, releases of hazardous materials, and odors that could be triggered by weather or natural disasters. There may also be risks presented by the potential for subsurface chemical reactions causing elevated landfill temperatures and increased production of leachate, landfill gas and odors. We also build and operate natural gas fueling stations, some of which also serve the public or third parties. Operation of fueling stations and landfill gas collection and control systems involves additional risks of fire and explosion. Any of these risks could potentially result in injury or death of employees and others, a need to shut down or reduce operation of facilities, increased operating expense and exposure to liability for pollution and other environmental damage, and property damage or destruction.

While we seek to minimize our exposure to such risks through comprehensive training, compliance and response and recovery programs, as well as vehicle and equipment maintenance programs, if we were to incur substantial liabilities in excess of any applicable insurance, our business, results of operations and financial condition could be adversely affected. Any such incidents could also tarnish our reputation and reduce the value of our brand. Additionally, a major operational failure, even if suffered by a competitor, may bring enhanced scrutiny and regulation of our industry, with a corresponding increase in operating expense.

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 other insurance coverages that are customary for a company our size. We use these programs to mitigate risk of loss, thereby enabling 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 are unable to meet their obligations, or our own obligations for claims are 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 variable-rate tax-exempt debt, final capping, closure, post-closure and environmental remediation obligations, we generally obtain letters of credit or surety bonds, rely on insurance, including captive insurance, fund trust and escrow accounts or rely upon WM financial guarantees. We currently have in place all financial assurance instruments necessary for our operations. Our financial position, which can be negatively affected by asset impairments, our credit profile and general economic factors, may adversely affect the cost of our current financial assurance instruments, and changes in regulations may impose stricter requirements on the types of financial assurance that will be accepted. 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.

We may record material charges against our earnings due to impairments to our assets.

In accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), 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. Additionally, declining waste volumes and development of, and customer preference for, alternatives to traditional waste disposal could warrant asset impairments. If we determine an asset or expansion project is impaired, we will charge against earnings any unamortized capitalized expenditures and advances relating to such asset 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. We may be required to incur charges against earnings if such impairment tests indicate that the fair value of a reporting unit is below its carrying value. Any such charges could have a material adverse effect on our results of operations.

Our capital requirements and our business strategy could increase our expenses, cause us to change our growth and development plans, or result in an inability to maintain our desired credit profile.

If economic conditions or other risks and uncertainties cause a significant reduction in our cash flows from operations, we may reduce or suspend capital expenditures, growth and acquisition activity, implementation of our business strategy, dividend declarations or share repurchases. We may choose to incur indebtedness to pay for these activities, although our access to capital markets is not assured and we may not be able to incur indebtedness at a cost that is consistent with current borrowing rates. We also may need to incur indebtedness to refinance scheduled debt maturities, and it is possible that the cost of financing could increase significantly, thereby increasing our expenses and decreasing our net income. Further, our ability to execute our financial strategy and our ability to incur indebtedness is somewhat dependent upon our ability to maintain investment grade ratings on our senior debt. The credit rating process is contingent upon our credit profile, as well as a number of other factors, many of which are beyond our control, including methodologies established and interpreted by third party rating agencies. If we were unable to maintain our investment grade credit ratings in the future, our interest expense would increase and our ability to obtain financing on favorable terms could be adversely affected.

Additionally, we have \$911 million of debt as of December 31, 2015 that is exposed to changes in market interest rates within the next 12 months because of the combined impact of our tax-exempt bonds and borrowings outstanding under our \$2.25 billion revolving credit facility and Canadian term loan. If interest rates increase, our interest expense would also increase, lowering our net income and decreasing our cash flow.

We may use our \$2.25 billion revolving credit facility and our C\$150 million Canadian revolving credit facility to meet our cash needs, to the extent available, until maturity in July 2020 and November 2017, respectively. As of December 31, 2015, we had \$20 million of outstanding borrowings and \$831 million of letters of credit issued and supported by the \$2.25 billion revolving credit facility, leaving an unused and available credit capacity of \$1,399 million, and we had no outstanding borrowings under the Canadian revolving credit facility. In the event of a default under our credit facilities, 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. Without waivers from lenders party to those agreements, any such default would have a material adverse effect on our ability to continue to operate.

The adoption of climate change legislation or regulations restricting emissions of “greenhouse gases” could increase our costs to operate.

Our landfill operations emit methane, identified as a GHG. There are a number of legislative and regulatory efforts at the state, regional and federal levels to curtail the emission of GHGs to ameliorate the effect of climate change. Should comprehensive federal climate change legislation be enacted, we expect it could impose costs on our operations that might not be offset by the revenue increases associated with our lower-carbon service options, the materiality of which we cannot predict. In 2010, the EPA published a Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule, which expanded the EPA’s federal air permitting authority to include the six GHGs. The rule sets new thresholds for GHG emissions that define when Clean Air Act permits are required. The current requirements of these rules have not significantly affected our operations or cash flows, due to the tailored thresholds and exclusions of certain emissions from regulation. However, if certain changes to these regulations were enacted, such as lowering the thresholds or the inclusion of biogenic emissions, then the amendments could have an adverse effect on our operating costs.

The seasonal nature of our business, severe weather events and “one-time” special projects cause our 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.

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

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. Our stock price may be negatively impacted by interim variations in our results.

We could be subject to significant fines and penalties, and our reputation could be adversely affected, if our businesses, or third parties with whom we have a relationship, were to fail to comply with United States or foreign laws or regulations.

Some of our projects and new business may be conducted in countries where corruption has historically been prevalent. It is our policy to comply with all applicable anti-bribery laws, such as the U.S. Foreign Corrupt

Practices Act, and with applicable local laws of the foreign countries in which we operate, and we monitor our local partners' compliance with such laws as well. Our reputation may be adversely affected if we were reported to be associated with corrupt practices or if we or our local partners failed to comply with such laws. Such damage to our reputation could adversely affect our ability to grow our business. Additionally, violations of such laws could subject us to significant fines and penalties.

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 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 financial position or operating results or cause unanticipated fluctuations in our reported operating results in future periods.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are in Houston, Texas, where we lease approximately 366,000 square feet under leases expiring through 2020. We also have administrative offices in Arizona, Illinois, Connecticut and India. We own or lease real property in most locations where we have operations or administrative functions. We have operations in all 50 states. We also have operations in the District of Columbia and throughout Canada.

Our principal property and equipment consists of land (primarily landfills and other disposal facilities, transfer stations and bases for collection operations), buildings, vehicles and equipment. We believe that our vehicles, equipment, and operating properties are adequately maintained and sufficient for our current operations. However, we expect to continue to make investments in additional equipment and property for expansion, for replacement of assets, and in connection with our strategic growth plans. For more information, see Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* included within this report.

The following table summarizes our various operations at December 31 for the periods noted:

	<u>2015</u>	<u>2014</u>
Landfills:		
Owned	201	202
Operated through lease agreements	15	17
Operated through contractual agreements	<u>33</u>	<u>33</u>
	249	252
Transfer stations	297	298
Material recovery facilities	104	126

The following table provides certain information regarding the 216 landfills owned or operated through lease agreements as of December 31, 2015:

	<u>Landfills</u>	<u>Total Acreage(a)</u>	<u>Permitted Acreage(b)</u>	<u>Expansion Acreage(c)</u>
Landfills owned or operated through lease agreements . . .	216	144,123	37,064	1,277
(a) "Total acreage" includes permitted acreage, expansion acreage, other acreage available for future disposal that has not been permitted, buffer land and other land owned or leased by our landfill operations.				
(b) "Permitted acreage" consists of all acreage at the landfill encompassed by an active permit to dispose of waste.				
(c) "Expansion acreage" consists of unpermitted acreage where the related expansion efforts meet our criteria to be included as expansion airspace. A discussion of the related criteria is included within Item 7. <i>Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Assumptions</i> included herein.				

Item 3. *Legal Proceedings.*

Information regarding our legal proceedings can be found under the *Environmental Matters* and *Litigation* sections of Note 11 in the Consolidated Financial Statements included in this report.

Item 4. *Mine Safety Disclosures.*

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

PART II

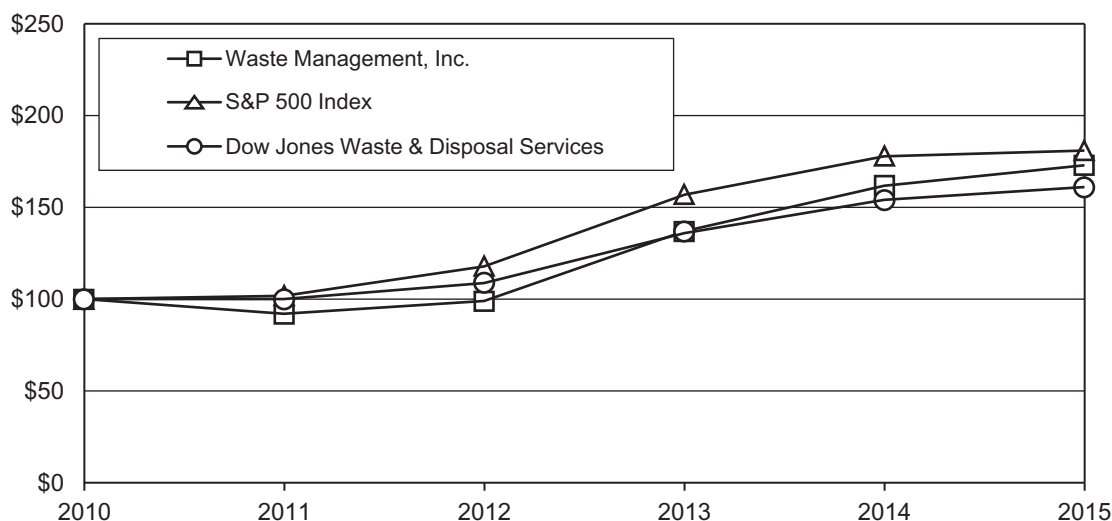
Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "WM." The following table sets forth the range of the high and low per share sales prices for our common stock as reported on the NYSE:

	<u>High</u>	<u>Low</u>
2014		
First Quarter	\$44.80	\$40.36
Second Quarter	44.87	41.05
Third Quarter	47.67	43.50
Fourth Quarter	51.94	45.50
2015		
First Quarter	\$55.30	\$50.67
Second Quarter	55.93	46.31
Third Quarter	53.05	45.88
Fourth Quarter	55.25	49.49
2016		
First Quarter (through February 4, 2016)	\$53.55	\$50.36

On February 4, 2016, the closing sales price as reported on the NYSE was \$53.19 per share. The number of holders of record of our common stock on February 4, 2016 was 10,987.

The graph below shows the relative investment performance of Waste Management, Inc. common stock, the Dow Jones Waste & Disposal Services Index and the S&P 500 Index for the last five years, assuming reinvestment of dividends at date of payment into the common stock. The graph is presented pursuant to SEC rules and is not meant to be an indication of our future performance.



	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Waste Management, Inc.	\$100	\$ 92	\$ 99	\$137	\$162	\$173
S&P 500 Index	\$100	\$102	\$118	\$157	\$178	\$181
Dow Jones Waste & Disposal Services Index	\$100	\$100	\$109	\$136	\$154	\$161

Our quarterly dividends have been declared and paid in accordance with financial plans approved by our Board of Directors. Cash dividends declared and paid were \$695 million in 2015, or \$1.54 per common share, \$693 million in 2014, or \$1.50 per common share, and \$683 million in 2013, or \$1.46 per common share.

In December 2015, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.385 to \$0.41 per share for dividends declared in 2016. However, all future dividend declarations are at the discretion of the Board of Directors and depend on various factors, including our net earnings, financial condition, cash required for future business plans and other factors the Board may deem relevant.

Our share repurchases have also been made in accordance with financial plans approved by our Board of Directors. We announced in February 2015 that the Board of Directors authorized up to \$1 billion in future share repurchases. During the second and third quarters of 2015, we entered into accelerated share repurchase (“ASR”) agreements to repurchase an aggregate of \$600 million of our common stock. We received a total of 12 million shares pursuant to these ASR agreements with a final weighted average per share price of \$49.83. See Note 15 to the Consolidated Financial Statements for additional information. The Company entered into an additional ASR agreement in December 2015 to repurchase \$150 million of our common stock in early 2016.

We subsequently announced in December 2015 that the Board of Directors refreshed its prior authorization of up to \$1 billion in future share repurchases. Any future share repurchases will be made at the discretion of management, and will depend on factors similar to those considered by the Board in making dividend declarations.

Item 6. Selected Financial Data.

The information below was derived from the audited Consolidated Financial Statements included in this report and in previous annual reports we filed with the SEC. This information should be read together with those Consolidated Financial Statements and the notes thereto. The adoption of new accounting pronouncements and certain reclassifications impact the comparability of the financial information presented below. These historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,				
	2015(a)	2014(a)	2013(a)	2012	2011
	(In millions, except per share amounts)				
Statement of Operations Data:					
Operating revenues	\$12,961	\$13,996	\$13,983	\$13,649	\$13,378
Costs and expenses:					
Operating	8,231	9,002	9,112	8,879	8,541
Selling, general and administrative	1,343	1,481	1,468	1,472	1,551
Depreciation and amortization	1,245	1,292	1,333	1,297	1,229
Restructuring	15	82	18	67	19
Goodwill impairments	—	10	509	4	1
(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items	82	(170)	464	79	9
	10,916	11,697	12,904	11,798	11,350
Income from operations	2,045	2,299	1,079	1,851	2,028
Other expense, net	(985)	(548)	(585)	(548)	(508)
Income before income taxes	1,060	1,751	494	1,303	1,520
Provision for income taxes	308	413	364	443	511
Consolidated net income	752	1,338	130	860	1,009
Less: Net income (loss) attributable to noncontrolling interests	(1)	40	32	43	48
Net income attributable to Waste Management, Inc.	\$ 753	\$ 1,298	\$ 98	\$ 817	\$ 961
Basic earnings per common share	\$ 1.66	\$ 2.80	\$ 0.21	\$ 1.76	\$ 2.05
Diluted earnings per common share	\$ 1.65	\$ 2.79	\$ 0.21	\$ 1.76	\$ 2.04
Cash dividends declared per common share	\$ 1.54	\$ 1.50	\$ 1.46	\$ 1.42	\$ 1.36
Balance Sheet Data (at end of period):					
Working capital (deficit)	\$ (165)	\$ 41	\$ (628)	\$ (689)	\$ (767)
Goodwill and other intangible assets, net	6,461	6,180	6,599	6,688	6,672
Total assets	20,419	21,297	22,490	23,021	22,491
Debt, including current portion	8,981	9,435	10,226	9,916	9,756
Total Waste Management, Inc. stockholders' equity	5,345	5,866	5,707	6,354	6,070
Total equity	5,367	5,889	6,002	6,675	6,390

- (a) For more information regarding these financial data, see Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in this report. For disclosures associated with the impact of the adoption of new accounting pronouncements on the comparability of this information, see Note 2 to the Consolidated Financial Statements.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

This section includes a discussion of our results of operations for the three years ended December 31, 2015. This discussion may contain forward-looking statements that anticipate results based on management's plans that are subject to uncertainty. We discuss in more detail various factors that could cause actual results to differ materially from expectations in Item 1A. *Risk Factors*. The following discussion should be read in light of that disclosure and together with the Consolidated Financial Statements and the notes to the Consolidated Financial Statements.

Overview

Our Company's goals are targeted at serving our customers, our employees, the environment, the communities in which we work and our stockholders, and achievement of our goals is intended to meet the needs of a changing industry. Our Company and others have recognized the value of the traditional waste stream as a potential resource. Increasingly, customers want more of their waste materials recovered, while waste streams are becoming more complex, and our aim is to address, and anticipate, the current, expanding and evolving needs of our customers. Accomplishment of our goals will grow our Company and allow us to meet the needs of our customers and communities as they, too, Think Green®.

We believe we are uniquely equipped to meet the challenges of the changing waste industry and our customers' waste management needs, both today and as we work together to envision and create a more sustainable future. As the waste industry leader, we have the expertise necessary to collect and handle our customers' waste efficiently and responsibly by delivering environmental performance — maximizing resource value, while minimizing environmental impact — so that both our economy and our environment can thrive. Drawing on our resources and experience, we also pursue projects and initiatives that benefit the waste industry, the customers and communities we serve and the environment.

We remain dedicated to providing long-term value to our stockholders by successfully executing our strategy: to know and service our customers better than anyone in our industry, to extract more value from the materials we manage, and to innovate and optimize our business. We plan to accomplish our strategic goals through competitive advantages derived from operational improvements and focused differentiation in our industry, driven by capitalizing on our extensive, well-placed network of assets. While we will continue to monitor emerging diversion technologies that may generate additional value, our current attention will be on improving existing diversion technologies, such as our recycling operations.

In pursuit of these long-term goals, we recognize that we must grow the business, and do so as efficiently and cost effectively as possible. Accordingly, we are focusing on the following five key company priorities:

- Customers: provide the best possible service to our customers;
- Traditional Waste Business: continuously improve our operational performance;
- Growth: take advantage of opportunities in our current business, as well as considering attractive acquisition opportunities;
- Yield Management: remain focused on price leadership while considering competitive dynamics; and
- Costs: minimize both operating costs and selling, general and administrative expenses.

We believe that execution of our strategy through these key priorities will drive continued financial performance and leadership in a dynamic industry.

Notable items of our 2015 financial results include:

- Revenues of \$12,961 million in 2015 compared with \$13,996 million in 2014, a decrease of \$1,035 million. This decrease in revenues is primarily attributable to (i) divestitures, which lowered revenues by \$762 million, primarily the sale of our Wheelabrator business in December 2014; (ii) lower volumes, which decreased our revenues by \$215 million; (iii) lower fuel surcharges and mandated fees of \$171 million, primarily due to lower year-over-year average fuel prices; (iv) year-over-year

recyclable commodity price declines, which lowered revenues by \$138 million and (v) foreign currency translation of \$126 million related to our Canadian operations. These decreases were partially offset by positive revenue growth from yield on our collection and disposal operations of \$203 million, or 1.8%, and acquisitions, which increased revenues by \$174 million, primarily due to the acquisition of Deffenbaugh in March 2015;

- Operating expenses of \$8,231 million in 2015, or 63.5% of revenues, compared with \$9,002 million, or 64.3% of revenues in 2014. This decrease of \$771 million is primarily attributable to (i) operating costs associated with divestitures of \$495 million, primarily the sale of our Wheelabrator business; (ii) lower fuel costs of \$187 million due to lower year-over-year average fuel prices; (iii) lower cost of goods sold of \$102 million, primarily associated with lower recyclable commodity prices and (iv) lower subcontractor expenses of \$70 million, primarily associated with lower volumes. These decreases were partially offset by higher transfer and disposal costs of \$57 million, primarily due to incurring third party costs for services previously provided on an intercompany basis prior to the divestiture of our Wheelabrator business in 2014;
- Selling, general and administrative expenses of \$1,343 million in 2015, or 10.4% of revenues, compared with \$1,481 million, or 10.6% of revenues, in 2014. This decrease of \$138 million is attributable to (i) savings associated with our August 2014 reorganization; (ii) divestitures, primarily the sale of our Wheelabrator business; (iii) lower incentive compensation costs and (iv) lower litigation settlement costs;
- Income from operations of \$2,045 million, or 15.8% of revenues, in 2015 compared with \$2,299 million, or 16.4% of revenues, in 2014, a decrease of \$254 million, the comparability of which was affected by asset impairments in both periods and the 2014 gain on the sale of our Wheelabrator business;
- Interest expense, net decreased by \$81 million, or 17.4%, in 2015 compared to 2014, primarily due to the refinancing of a significant portion of our high-coupon senior notes during 2015 discussed below;
- Net income attributable to Waste Management, Inc. of \$753 million, or \$1.65 per diluted share, for 2015, as compared with \$1,298 million, or \$2.79 per diluted share, for 2014, the decrease was primarily driven by the 2015 loss on early extinguishment of debt discussed below; and
- In 2015, we returned \$1,295 million to our shareholders through dividends and share repurchases compared with \$1,293 million in 2014.

The following explanation of certain items that impacted the comparability of our 2015 results with 2014 has been provided to support investors' understanding of our performance. Our 2015 results were affected by the following:

- The recognition of a pre-tax loss of \$555 million, primarily associated with the early extinguishment of almost \$2 billion of our high-coupon senior notes through a make-whole redemption and cash tender offer. We replaced substantially all of the debt extinguished with new senior notes at significantly lower coupon interest rates, which will reduce future interest expense and extend the average maturity of our debt obligations. The charges incurred for the redemption had a negative impact of \$0.75 on our diluted earnings per share;
- The \$51 million pre-tax charge associated with the withdrawal from certain underfunded multiemployer pension plans had a negative \$0.07 impact on our diluted earnings per share; and
- Net pre-tax charges of \$102 million resulting from impairments, restructuring and divestitures, of which \$66 million related to the impairment of certain of our oil and gas producing properties. These items had a negative impact of \$0.14 on our diluted earnings per share.

The following explanation of certain items that impacted the comparability of our 2014 results with 2013 has been provided to support investors' understanding of our performance. Our 2014 results were affected by the following:

- The recognition of net pre-tax gains of \$515 million, which includes the \$519 million gain on the sale of our Wheelabrator business. These items had a positive impact of \$1.10 on our diluted earnings per share;
- Net income was negatively impacted by the recognition of net pre-tax charges aggregating \$420 million primarily related to (i) \$272 million of charges to impair our oil and gas producing properties; (ii) \$69 million of charges to impair investments related to waste diversion technology companies; (iii) \$31 million of litigation settlements; (iv) \$10 million of goodwill impairment charges associated with our recycling operations and (v) other charges to write down the carrying value of assets to their estimated fair values related to certain of our operations. These items had a negative impact of \$0.68 on our diluted earnings per share; and
- The recognition of pre-tax restructuring charges of \$82 million, which had a negative impact of \$0.11 on our diluted earnings per share.

Our 2013 results were affected by the following:

- The recognition of net pre-tax charges aggregating \$1.0 billion, primarily related to (i) a \$483 million charge to impair goodwill associated with our Wheelabrator business; (ii) \$262 million of charges to impair certain landfills, primarily in our Eastern Canada Area; (iii) \$144 million of charges to write down the carrying value of three waste-to-energy facilities and (iv) \$71 million of impairment charges relating to investments in waste diversion technology companies. These items had a negative impact of \$1.91 on our diluted earnings per share; and
- The recognition of pre-tax charges aggregating \$23 million primarily related to our acquisitions of Greenstar and RCI as well as prior restructurings and other charges. These items had a negative impact of \$0.03 on our diluted earnings per share.

In 2015, we generated strong earnings and cash flow growth from our Solid Waste business by continuing a disciplined focus on revenue growth and cost control. These results were driven by strong core pricing in each line of business; controlling costs of both our operations and corporate functions; improving customer experience by differentiating our service offerings to reduce customer churn; maintaining discipline around capital spending; and implementing a more rational and sustainable framework for recycling operations as an integrated component of solid waste services. Another priority we successfully pursued in 2015 was the investment of cash proceeds from the divestiture of our Wheelabrator business in late 2014 to support our strategic growth plans. In 2015, we acquired Deffenbaugh Disposal, Inc. ("Deffenbaugh"), one of the largest privately owned collection and disposal firms in the Midwest. In addition, in January 2016, we completed the acquisition of Southern Waste Systems/Sun Recycling in Southern Florida. These transactions reflect our view that we can create shareholder value by making accretive acquisitions in our Solid Waste business. As we look forward to 2016, our key priorities will remain the same — driving revenue growth from yield, maintaining our commitment to provide excellent customer service and improving our productivity while managing our costs. We believe that continued execution of these objectives will translate into earnings and cash flow growth, leaving us well positioned to continue investing in our business, pay dividends and repurchase shares, while continuing our commitment to maintain a strong balance sheet.

Free Cash Flow

As is our practice, we are presenting free cash flow, which is a non-GAAP measure of liquidity, in our disclosures because we use this measure in the evaluation and management of our business. We define free cash flow as net cash provided by operating activities, less capital expenditures, plus proceeds from divestitures of

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

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

	Years Ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	\$ 2,498	\$ 2,331	\$ 2,455
Capital expenditures	(1,233)	(1,151)	(1,271)
Proceeds from divestitures of businesses and other assets (net of cash divested)	145	2,253	138
Free cash flow	<u>\$ 1,410</u>	<u>\$ 3,433</u>	<u>\$ 1,322</u>

When comparing our cash flows from operating activities for the year ended December 31, 2015 to the comparable period in 2014, the increase of \$167 million is primarily related to (i) lower income tax payments, net of excess tax benefits associated with equity-based transactions, of \$329 million in the current year; (ii) lower interest paid of \$77 million in the current year and (iii) the settlement of forward-starting swap liabilities of \$36 million in 2014. These increases were partially offset by (i) a decrease in cash earnings due to the sale of our Wheelabrator business in 2014; (ii) multiemployer pension plan settlement payments of approximately \$60 million in 2015 and (iii) higher year-over-year annual incentive plan payments of approximately \$65 million. Finally, we experienced unfavorable changes in our assets and liabilities, net of effects of acquisitions and divestitures, particularly non-trade related items including payroll and incentive accruals. However, we did experience continued improvement in both trade accounts receivable and accounts payable.

When comparing our cash flows from operating activities for the year ended December 31, 2014 to the comparable period in 2013, the decrease of \$124 million is primarily related to higher income tax payments, net of excess tax benefits associated with equity-based transactions, of \$242 million in 2014 and a payment of \$36 million in 2014 to terminate our forward-starting swaps. These decreases were partially offset by higher cash earnings and favorable working capital changes.

Although capital expenditures were higher in 2015 and 2013 as compared to 2014, the Company continues to maintain a disciplined focus on capital management. Fluctuations in our capital expenditures are a result of new business opportunities, growth in our existing business, and the timing of replacement of aging assets.

The significantly higher proceeds from divestitures of businesses and other assets (net of cash divested) for the year ended December 31, 2014 compared to the years ended December 31, 2015 and 2013 is largely driven by the 2014 sales of (i) our Wheelabrator business for \$1.95 billion; (ii) our investment in Shanghai Environment Group, which was part of our Wheelabrator business, for \$155 million and (iii) our Puerto Rico operations for proceeds of \$80 million, including \$65 million in cash.

Acquisitions

Deffenbaugh Disposal, Inc. — On March 26, 2015, we acquired Deffenbaugh, one of the largest privately owned collection and disposal firms in the Midwest, for total consideration of \$416 million (\$413 million cash),

inclusive of amounts for estimated working capital. Deffenbaugh's assets include five collection operations, seven transfer stations, two recycling facilities, one subtitle-D landfill, and one construction and demolition landfill.

Greenstar, LLC — On January 31, 2013, we paid \$170 million inclusive of certain adjustments, to acquire Greenstar, LLC ("Greenstar"). Pursuant to the sale and purchase agreement, up to an additional \$40 million was payable to the sellers, of which \$20 million was guaranteed and paid in 2015. The remaining \$20 million of this consideration was contingent based on changes in certain recyclable commodity indexes and had an estimated fair value at closing of \$16 million. This contingent consideration was not earned. Greenstar was an operator of recycling and resource recovery facilities. This acquisition provides the Company's customers with greater access to recycling solutions, having supplemented our extensive nationwide recycling network with the operations of one of the nation's largest private recyclers.

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

Divestitures

Wheelabrator Business — On December 19, 2014, we sold our Wheelabrator business to an affiliate of Energy Capital Partners and received cash proceeds of \$1.95 billion, net of cash divested, subject to certain post-closing adjustments. We recognized a gain of \$519 million on this sale which is included within "(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items" in the Consolidated Statement of Operations. For the year ended December 31, 2015, net adjustments to this gain were immaterial on a pre-tax basis. In conjunction with the sale, the Company entered into several agreements to dispose of a minimum number of tons of waste at certain Wheelabrator facilities. These agreements generally provide for fixed volume commitments with certain market price resets through 2021.

Other — In addition to the divestiture of our Wheelabrator business, we also divested our Puerto Rico operations as well as certain landfill and collection operations in our Eastern Canada Area in 2014.

In total, these divested businesses and assets provided \$0.18 and \$0.16 of earnings per diluted share for the years ended December 31, 2014 and 2013, respectively.

Subsequent Event

On January 8, 2016, Waste Management Inc. of Florida, a wholly-owned subsidiary of WM, acquired certain operations and business assets of Southern Waste Systems/Sun Recycling in Southern Florida. The acquired business assets include residential, commercial, and industrial solid waste collection, processing/recycling and transfer operations, equipment, vehicles, real estate and customer agreements. Total consideration, inclusive of amounts for estimated working capital, paid at closing was \$516 million and is subject to standard post-closing adjustments. The acquisition was funded primarily with borrowings under our long-term U.S. revolving credit facility ("\$.25 billion revolving credit facility").

Basis of Presentation of Consolidated Financial Information

Deferred Income Taxes — In November 2015, the Financial Accounting Standards Board ("FASB") amended authoritative guidance associated with deferred income taxes. To simplify the presentation of deferred income taxes, the amended guidance requires that deferred tax liabilities and assets be classified as noncurrent in

the statement of financial position. This eliminates the guidance to separate deferred income tax liabilities and assets into current and noncurrent amounts in the statement of financial position. The amendments to the authoritative guidance associated with deferred income taxes were effective for the Company on January 1, 2016; however, early adoption was permitted. The Company's early adoption of this guidance in 2015 was applied retrospectively and did not have a material impact on our consolidated financial statements.

Critical Accounting Estimates and Assumptions

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

Landfills

Accounting for landfills requires that significant estimates and assumptions be made regarding (i) the cost to construct and develop each landfill asset; (ii) the estimated fair value of final capping, closure and post-closure asset retirement obligations, which must consider both the expected cost and timing of these activities; (iii) the determination of each landfill's remaining permitted and expansion airspace and (iv) the airspace associated with each final capping event.

Landfill Costs — We estimate the total cost to develop each of our landfill sites to its remaining permitted and expansion capacity. This estimate includes such costs as landfill liner material and installation, excavation for airspace, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized interest, on-site road construction and other capital infrastructure costs. Additionally, landfill development includes all land purchases for the landfill footprint and required landfill buffer property. The projection of these landfill costs is dependent, in part, on future events. The remaining amortizable basis of each landfill includes costs to develop a site to its remaining permitted and expansion capacity and includes amounts previously expended and capitalized, net of accumulated airspace amortization, and projections of future purchase and development costs.

Final Capping Costs — We estimate the cost for each final capping event based on the area to be finally capped and the capping materials and activities required. The estimates also consider when these costs are anticipated to be paid and factor in inflation and discount rates. Our engineering personnel allocate landfill final capping costs to specific final capping events. The landfill capacity associated with each final capping event is then quantified and the final capping costs for each event are amortized over the related capacity associated with the event as waste is disposed of at the landfill. We review these costs annually, or more often if significant facts change. Changes in estimates, such as timing or cost of construction, for final capping events immediately impact the required liability and the corresponding asset. When the change in estimate relates to a fully consumed asset, the adjustment to the asset must be amortized immediately through expense. When the change in estimate relates to a final capping event that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of landfill airspace amortization.

Closure and Post-Closure Costs — We base our estimates for closure and post-closure costs on our interpretations of permit and regulatory requirements for closure and post-closure monitoring and maintenance. The estimates for landfill closure and post-closure costs also consider when the costs are anticipated to be paid

and factor in inflation and discount rates. The possibility of changing legal and regulatory requirements and the forward-looking nature of these types of costs make any estimation or assumption less certain. Changes in estimates for closure and post-closure events immediately impact the required liability and the corresponding asset. When the change in estimate relates to a fully consumed asset, the adjustment to the asset must be amortized immediately through expense. When the change in estimate relates to a landfill asset that has not been fully consumed, the adjustment to the asset is recognized in income prospectively as a component of landfill airspace amortization.

Remaining Permitted Airspace — Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is used to compare the existing landfill topography to the expected final landfill topography.

Expansion Airspace — We also include currently unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. First, to include airspace associated with an expansion effort, we must generally expect the initial expansion permit application to be submitted within one year, and the final expansion permit to be received within five years. Second, we must believe that obtaining the expansion permit is likely, considering the following criteria:

- Personnel are actively working on the expansion of an existing landfill, including efforts to obtain land use and local, state or provincial approvals;
- We have a legal right to use or obtain land to be included in the expansion plan;
- There are no significant known technical, legal, community, business, or political restrictions or similar issues that could negatively affect the success of such expansion; and
- Financial analysis has been completed based on conceptual design, and the results demonstrate that the expansion meets Company criteria for investment.

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated by our field-based engineers, accountants, managers and others to identify potential obstacles to obtaining the permits. Once the unpermitted airspace is included, our policy provides that airspace may continue to be included in remaining permitted and expansion airspace even if certain of these criteria are no longer met as long as we continue to believe we will ultimately obtain the permit, based on the facts and circumstances of a specific landfill. In these circumstances, continued inclusion must be approved through a landfill-specific review process that includes approval by our Chief Financial Officer and a review by the Audit Committee of our Board of Directors on a quarterly basis. Of the 21 landfill sites with expansions included at December 31, 2015, three landfills required the Chief Financial Officer to approve the inclusion of the unpermitted airspace. One landfill required approval by our Chief Financial Officer because of community or political opposition that could impede the expansion process. The remaining two landfills required approval because the permit application process did not meet the one- or five-year requirements.

When we include the expansion airspace in our calculations of remaining permitted and expansion airspace, we also include the projected costs for development, as well as the projected asset retirement costs related to final capping, closure and post-closure of the expansion in the amortization basis of the landfill.

Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor (“AUF”) is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys and is then adjusted to account for future settlement. The amount of settlement that is forecasted will take into account several site-specific factors including current and projected mix of waste type, initial and projected waste density, estimated number of years of life remaining, depth of underlying waste, anticipated access to moisture through precipitation or recirculation

of landfill leachate, and operating practices. In addition, the initial selection of the AUF is subject to a subsequent multi-level review by our engineering group, and the AUF used is reviewed on a periodic basis and revised as necessary. Our historical experience generally indicates that the impact of settlement at a landfill is greater later in the life of the landfill when the waste placed at the landfill approaches its highest point under the permit requirements.

After determining the costs and remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for each landfill for assets associated with each final capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future. These rates per ton are updated annually, or more often, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates, or related assumptions, prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates or higher expenses; or higher profitability may result if the opposite occurs. Most significantly, if it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time management makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

Environmental Remediation Liabilities

We are subject to an array of laws and regulations relating to the protection of the environment. Under current laws and regulations, we may have liabilities for environmental damage caused by operations, or for damage caused by conditions that existed before we acquired a site. These liabilities include potentially responsible party ("PRP") investigations, settlements, and certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials, external contractor costs and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We routinely review and evaluate sites that require remediation and determine our estimated cost for the likely remedy based on a number of estimates and assumptions.

Where it is probable that a liability has been incurred, we estimate costs required to remediate sites based on site-specific facts and circumstances. We routinely review and evaluate sites that require remediation, considering whether we were an owner, operator, transporter, or generator at the site, the amount and type of waste hauled to the site and the number of years we were associated with the site. Next, we review the same type of information with respect to other named and unnamed PRPs. Estimates of the costs for the likely remedy are then either developed using our internal resources or by third-party environmental engineers or other service providers. Internally developed estimates are based on:

- Management's judgment and experience in remediating our own and unrelated parties' sites;
- Information available from regulatory agencies as to costs of remediation;
- The number, financial resources and relative degree of responsibility of other PRPs who may be liable for remediation of a specific site; and
- The typical allocation of costs among PRPs, unless the actual allocation has been determined.

Asset Impairments

Our long-lived assets, including landfills and landfill expansions, are carried on our financial statements based on their cost less accumulated depreciation or amortization. We monitor the carrying value of our long-lived assets for potential impairment on an ongoing basis and test the recoverability of such assets using significant unobservable (“Level 3”) inputs whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. These events or changes in circumstances, including management decisions pertaining to such assets, are referred to as impairment indicators. If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If cash flows cannot be separately and independently identified for a single asset, we will determine whether an impairment has occurred for the group of assets for which we can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset or asset group; (ii) actual third-party valuations and/or (iii) information available regarding the current market for similar assets. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs and is included in the and “(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items” line item in our Consolidated Statement of Operations. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized, which could impact our ability to accurately assess whether an asset has been impaired.

There are additional considerations for impairments of landfills, goodwill and other indefinite-lived intangible assets, as described below.

Landfills — The assessment of impairment indicators and the recoverability of our capitalized costs associated with landfills and related expansion projects require significant judgment due to the unique nature of the waste industry, the highly regulated permitting process and the sensitive estimates involved. During the review of a landfill expansion application, a regulator may initially deny the expansion application although the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace, or a landfill may be required to cease accepting waste, prior to receipt of the expansion permit. However, such events occur in the ordinary course of business in the waste industry and do not necessarily result in impairment of our landfill assets because, after consideration of all facts, such events may not affect our belief that we will ultimately obtain the expansion permit. As a result, our tests of recoverability, which generally make use of a probability-weighted cash flow estimation approach, may indicate that no impairment loss should be recorded. See Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Assumptions — Expansion Airspace* above for discussion of criteria involved in assessing our likelihood of obtaining an expansion permit. During the year ended December 31, 2013, we recognized \$262 million of charges to impair certain of our landfills, primarily as a result of our consideration of management’s decision in the fourth quarter of 2013 not to actively pursue expansion and/or development of such landfills. These charges were primarily associated with two landfills in our Eastern Canada Area, which are no longer accepting waste. We had previously concluded that receipt of permits for these landfills was probable. However, in connection with our asset rationalization and capital allocation analysis, which was influenced, in part, by our acquisition of RCI, we determined that the future costs to construct these landfills could be avoided as we are able to allocate disposal that would have gone to these landfills to other facilities and not materially impact operations. As a result of management’s decision, we determined that the carrying values of landfill assets were no longer able to be recovered by the undiscounted cash flows attributable to these assets. As such, we wrote their carrying values down to their estimated fair values using a market approach considering the highest and best use of the assets.

Goodwill — At least annually, and more frequently if warranted, we assess our goodwill for impairment using Level 3 inputs.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment, or two-step impairment test, to determine whether a goodwill impairment exists at the reporting unit. The first step in our quantitative assessment identifies potential impairments by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. Fair value is typically estimated using a combination of the income approach and market approach or only an income approach when applicable. The income approach is based on the long-term projected future cash flows of the reporting units. We discount the estimated cash flows to present value using a weighted average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting units' expected long-term performance considering the economic and market conditions that generally affect our business. The market approach estimates fair value by measuring the aggregate market value of publicly-traded companies with similar characteristics to our business as a multiple of their reported cash flows. We then apply that multiple to the reporting units' cash flows to estimate their fair values. We believe that this approach is appropriate because it provides a fair value estimate using valuation inputs from entities with operations and economic characteristics comparable to our reporting units.

Fair value computed by these two methods is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that these two methods provide a reasonable approach to estimating the fair value of our reporting units.

During our annual 2013 impairment test of our goodwill balances we determined the fair value of our Wheelabrator business had declined and the associated goodwill was impaired. As a result, we recognized an impairment charge of \$483 million, which had no related tax benefit. We estimated the implied fair value of our Wheelabrator reporting unit goodwill using a combination of income and market approaches. Because the annual impairment test indicated that Wheelabrator's carrying value exceeded its estimated fair value, we performed the "step two" analysis. In the "step two" analysis, the fair values of all assets and liabilities were estimated, including tangible assets, power contracts, customer relationships and trade name for the purpose of deriving an estimate of the implied fair value of goodwill. The implied fair value of goodwill was then compared to the carrying amount of goodwill to determine the amount of the impairment. The factors contributing to the \$483 million goodwill impairment charge principally related to the continued challenging business environment in areas of the country in which Wheelabrator operated, characterized by lower available disposal volumes (which impact disposal rates and overall disposal revenue, as well as the amount of electricity Wheelabrator was able to generate), lower electricity pricing due to the pricing pressure created by availability of natural gas and increased operating costs as Wheelabrator's facilities aged. These factors caused us to lower prior assumptions for electricity and disposal revenue, and increase assumed operating costs. Additionally, the discount factor previously utilized in the income approach in 2013 increased mainly due to increases in interest rates. In 2013, we also incurred \$10 million of charges to impair goodwill associated with our Puerto Rico operations. In 2014, we recognized \$10 million of goodwill impairment charges associated with our recycling operations.

See Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Goodwill Impairments and (Income) Expense from Divestitures, Asset Impairments (Other than Goodwill) and Unusual Items* and Note 13 to the Consolidated Financial Statements for information related to goodwill impairments recognized during the reported periods.

Indefinite-Lived Intangible Assets Other Than Goodwill — At least annually, and more frequently if warranted, we assess indefinite-lived intangible assets other than goodwill for impairment.

When performing the impairment test for indefinite-lived intangible assets, we generally first conduct a qualitative analysis to determine whether we believe it is more likely than not that an asset has been impaired. If we believe an impairment has occurred, we then evaluate for impairment by comparing the estimated fair value of assets to the carrying value. An impairment charge is recognized if the asset's estimated fair value is less than its carrying value.

Fair value is typically estimated using an income approach. The income approach is based on the long-term projected future cash flows. We discount the estimated cash flows to present value using a weighted average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the expected long-term performance considering the economic and market conditions that generally affect our business.

Fair value computed by this method is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that this method provides a reasonable approach to estimating the fair value of the reporting units.

Deferred Income Taxes

Deferred income taxes are based on the difference between the financial reporting and tax basis of assets and liabilities. The deferred income tax provision represents the change during the reporting period in the deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carry-forwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves for uncertain tax positions when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be challenged and potentially disallowed. When facts and circumstances change, we adjust these reserves through our provision for income taxes. Should interest and penalties be assessed by taxing authorities on any underpayment of income tax, such amounts would be accrued and classified as a component of income tax expense in our Consolidated Statements of Operations.

Insured and Self-Insured Claims

We have retained a significant portion of the risks related to our health and welfare, automobile, general liability and workers' compensation claims programs. The exposure for unpaid claims and associated expenses, including incurred but not reported losses, are based on an actuarial valuation and internal estimates. The accruals for these liabilities could be revised if future occurrences or loss development significantly differ from our assumptions used. Estimated recoveries associated with our insured claims are recorded as assets when we believe that the receipt of such amounts is probable.

Results of Operations

Operating Revenues

Our operating revenues set forth below have generally come from fees charged for our collection, disposal, transfer, recycling and resource recovery, and from sales of commodities by our recycling and landfill gas-to-energy operations. Revenues from our collection operations are influenced by factors such as collection frequency, type of collection equipment furnished, type and volume or weight of the waste collected, distance to the disposal facility or MRF and our disposal costs. Revenues from our landfill operations consist of tipping fees, which are generally based on the type and weight or volume of waste being disposed of at our disposal facilities. Fees charged at transfer stations are generally based on the weight or volume of waste deposited, taking into account our cost of loading, transporting and disposing of the solid waste at a disposal site. Recycling revenue generally consists of tipping fees and the sale of recyclable commodities to third parties. The fees we charge for our collection, disposal, transfer and recycling services generally include fuel surcharges, which are indexed to current market costs for diesel fuel. Our divested Wheelabrator business provided waste-to-energy services and managed waste-to-energy facilities and independent power production plants. We also provide additional services that are not managed through our Solid Waste business, including Strategic Business Solutions (“WMSBS”), Energy and Environmental Services, recycling brokerage services, landfill gas-to-energy services, and expanded service offerings and solutions. In addition, we offer portable self-storage and long distance moving services through a joint venture; fluorescent bulb and universal waste mail-back through our LampTracker® program; portable restroom servicing under the name Port-o-Let® and street and parking lot sweeping services. In addition, we hold interests in oil and gas producing properties. These operations are presented as “Other” in the table below. The following table summarizes revenues during each period (in millions):

	Years Ended December 31,		
	2015	2014	2013
Solid Waste	\$13,285	\$13,449	\$13,477
Wheelabrator	—	817	845
Other	2,065	2,191	2,185
Intercompany	(2,389)	(2,461)	(2,524)
Total	<u>\$12,961</u>	<u>\$13,996</u>	<u>\$13,983</u>

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

	Years Ended December 31,		
	2015	2014	2013
Collection:			
Commercial	\$ 3,332	\$ 3,393	\$ 3,423
Residential	2,499	2,543	2,608
Industrial	2,252	2,231	2,209
Other	356	340	273
Total collection	8,439	8,507	8,513
Landfill	2,919	2,849	2,790
Transfer	1,377	1,353	1,329
Wheelabrator	—	817	845
Recycling	1,163	1,370	1,447
Other	1,452	1,561	1,583
Intercompany	(2,389)	(2,461)	(2,524)
Total	<u>\$12,961</u>	<u>\$13,996</u>	<u>\$13,983</u>

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

	Period-to-Period Change 2015 vs. 2014		Period-to-Period Change 2014 vs. 2013	
	Amount	As a % of Total Company(a)	Amount	As a % of Total Company(a)
Average yield(b)	\$ (106)	(0.8)%	\$ 228	1.6%
Volume	(215)	(1.6)	(188)	(1.4)
Internal revenue growth	(321)	(2.4)	40	0.2
Acquisitions	174	1.3	124	0.9
Foreign currency translation	(126)	(1.0)	(61)	(0.4)
Subtotal (excluding divestitures)	(273)	(2.1)%	103	0.7%
Divestitures	(762)		(90)	
Total	<u><u>\$(1,035)</u></u>		<u><u>\$ 13</u></u>	

- (a) Calculated by dividing the amount of current year increase or decrease by the prior year's total Company revenue adjusted to exclude the impacts of current year divestitures (\$13,234 million and \$13,893 million for 2015 and 2014, respectively).
- (b) The amounts reported herein represent the changes in our revenue attributable to average yield for the total Company. We also analyze the changes in average yield in terms of related-business revenues in order to differentiate the changes in yield attributable to our pricing strategies from the changes that are caused by market-driven price changes in commodities. The following table summarizes changes in revenues from average yield on a related-business basis (dollars in millions):

	Period-to-Period Change 2015 vs. 2014		Period-to-Period Change 2014 vs. 2013	
	Amount	As a % of Related Business(i)	Amount	As a % of Related Business(i)
Average yield:				
Collection and disposal	\$ 203	1.8%	\$262	2.3%
Recycling commodities	(138)	(10.4)	(53)	(3.7)
Electricity	—	—	21	7.9
Fuel surcharges and mandated fees	(171)	(24.8)	(2)	(0.3)
Total	<u><u>\$(106)</u></u>	(0.8)	<u><u>\$228</u></u>	1.6

- (i) Calculated by dividing the increase or decrease for the current year by the prior year's related business revenue, adjusted to exclude the impacts of divestitures for the current year. The table below summarizes the related business revenues for each year, adjusted to exclude the impacts of divestitures (in millions):

	Denominator	
	2015	2014
Related-business revenues:		
Collection and disposal	\$11,214	\$11,512
Recycling commodities	1,331	1,431
Electricity	—	266
Fuel surcharges and mandated fees	689	684
Total Company	<u><u>\$13,234</u></u>	<u><u>\$13,893</u></u>

Our revenues decreased \$1,035 million, or 7.4%, for the year ended December 31, 2015. Our revenue decline was driven by (i) divestitures in 2014, principally our Wheelabrator business in December 2014, our Puerto Rico operations in the second quarter of 2014, and certain landfill and collection operations in our Eastern Canada Area in the third quarter of 2014; (ii) lower volumes; (iii) lower revenues from our fuel surcharge program due to declining fuel costs; (iv) lower recyclable commodity prices and (v) foreign currency translation, which affects revenues from our Canadian operations. Partially offsetting these revenue declines were (i) revenue growth from yield on our collection and disposal operations and (ii) revenue from acquired operations, primarily the Deffenbaugh acquisition in March 2015.

Our revenues increased \$13 million, or 0.1%, for the year ended December 31, 2014, driven by (i) revenue growth from yield on our collection and disposal operations; (ii) revenue from acquired operations, particularly the RCI operations acquired in July 2013 and (iii) fluctuations in electricity prices at Wheelabrator's merchant waste-to-energy facilities that favorably affected revenues. Offsetting these revenue increases were (i) revenue declines due to lower volumes; (ii) divestitures in 2014, primarily our Puerto Rico operations, our Wheelabrator business and certain landfill and collection operations in our Eastern Canada Area; (iii) foreign currency translation and (iv) revenue declines resulting from lower recyclable commodity prices.

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

Average yield

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

Revenue growth from collection and disposal average yield was \$203 million, or 1.8%, and \$262 million, or 2.3%, for the years ended December 31, 2015 and 2014, respectively.

Our year-over-year yield growth was driven largely by our continued focus on our pricing strategy with lower rollbacks and improved new business pricing. We experienced growth in all three of our principal collection lines of business in both 2015 and 2014. The details are as follows (dollars in millions):

	Period-to-Period Change 2015 vs. 2014		Period-to-Period Change 2014 vs. 2013	
	Amount	As a % of Related Business	Amount	As a % of Related Business
Commercial	\$ 92	3.0%	\$134	4.3%
Industrial	55	2.7	84	4.2
Residential	39	1.6	32	1.3
	<u>\$186</u>		<u>\$250</u>	

Other drivers affecting both 2015 and 2014 average yield include:

- A fee instituted to help us recover a portion of the significant regulatory costs and fees, such as host fees and disposal taxes, which are not recouped by our pricing programs. Revenues generated from this fee are approximately \$113 million, \$97 million and \$43 million for the years ended December 31, 2015, 2014 and 2013, respectively, principally in our collection business, with the most significant impact in our commercial line of business.

- Our 2014 revenue growth from yield in our industrial line of business was aided by the expansion of our oilfield services business. These services typically have higher average rates due to extended transportation distances, special waste handling costs and higher disposal costs as compared with our other industrial business. However, in 2015, reduced drilling and auxiliary activities due to the continued decline in oil and gas prices negatively affected our oilfield services business, which in turn affected our revenue growth in our industrial line of business.
- In our residential line of business, we continue to focus on bidding on contracts that improve our yield performance and increase our overall returns.
- Yield growth from our landfill and transfer station operations also improved for both 2015 and 2014.

Recycling commodities — The continuing declines in recycling commodities prices resulted in revenue declines of \$138 million and \$53 million for the years ended December 31, 2015 and 2014, respectively, compared with the prior year.

Fuel surcharges and mandated fees — These revenues, which are predominantly generated by our fuel surcharge program, decreased \$171 million and \$2 million for the years ended December 31, 2015 and 2014, respectively. These revenues fluctuate in response to changes in the national average prices for diesel fuel on which our surcharge is based. We experienced a dramatic fuel price decline of approximately 30% in 2015 versus the 2.4% fuel price decline in 2014, which caused a much more significant decline in our fuel surcharge revenues in the current year. The mandated fees included in this line item are primarily related to pass-through fees and taxes assessed by various state, county and municipal government agencies at our landfills and transfer stations.

Volume — Declines in our volumes caused our revenue to decrease \$215 million, or 1.6%, and \$188 million, or 1.4%, for the years ended December 31, 2015 and 2014, respectively, as compared with the prior year.

Operating Expenses

Our operating expenses are comprised of (i) labor and related benefits (excluding labor costs associated with maintenance and repairs discussed below), which include salaries and wages, bonuses, related payroll taxes, insurance and benefits costs and the costs associated with contract labor; (ii) transfer and disposal costs, which include tipping fees paid to third-party disposal facilities and transfer stations; (iii) maintenance and repairs relating to equipment, vehicles and facilities and related labor costs; (iv) subcontractor costs, which include the costs of independent haulers who transport waste collected by us to disposal facilities and are affected by variables such as volumes, distance and fuel prices; (v) costs of goods sold, which are primarily rebates paid to suppliers associated with recycling commodities; (vi) fuel costs, which represent the costs of fuel and oil to operate our truck fleet and landfill operating equipment; (vii) disposal and franchise fees and taxes, which include landfill taxes, municipal franchise fees, host community fees, contingent landfill lease payments and royalties; (viii) landfill operating costs, which include interest accretion on landfill liabilities, interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets, leachate and methane collection and treatment, landfill remediation costs and other landfill site costs; (ix) risk management costs, which include auto liability, workers' compensation, general liability and insurance and claim costs and (x) other operating costs, which include telecommunications, equipment and facility rent, property taxes, utilities and supplies.

Our operating expenses decreased \$771 million, or 8.6%, when comparing 2015 with 2014 and decreased \$110 million, or 1.2%, when comparing 2014 with 2013. Operating expenses as a percentage of revenues were 63.5% in 2015, 64.3% in 2014, and 65.2% in 2013.

The following table summarizes the major components of our operating expenses, including the impact of foreign currency translation, for the years ended December 31 (dollars in millions), with significant changes in our operating expenses discussed below:

	<u>2015</u>	<u>Period-to-Period Change</u>		<u>2014</u>	<u>Period-to-Period Change</u>		<u>2013</u>
Labor and related benefits	\$2,381	\$ (71)	(2.9)%	\$2,452	\$ (54)	(2.2)%	\$2,506
Transfer and disposal costs	939	4	0.4	935	(38)	(3.9)	973
Maintenance and repairs	1,022	(159)	(13.5)	1,181	—	—	1,181
Subcontractor costs	1,137	(86)	(7.0)	1,223	41	3.5	1,182
Cost of goods sold	791	(183)	(18.8)	974	(26)	(2.6)	1,000
Fuel	361	(192)	(34.7)	553	(50)	(8.3)	603
Disposal and franchise fees and taxes	662	(7)	(1.0)	669	16	2.5	653
Landfill operating costs	255	(11)	(4.1)	266	34	14.7	232
Risk management	221	2	0.9	219	(25)	(10.2)	244
Other	462	(68)	(12.8)	530	(8)	(1.5)	538
	<u>\$8,231</u>	<u>\$(771)</u>	<u>(8.6)%</u>	<u>\$9,002</u>	<u>\$(110)</u>	<u>(1.2)%</u>	<u>\$9,112</u>

Divestitures — During 2014, we divested our Wheelabrator business, our Puerto Rico operations, and certain landfill and collection operations in our Eastern Canada Area. The following table lists the operating expense categories in which these divestitures have had a material impact (in millions):

	<u>Period-to-Period Change for the Year Ended December 31, 2015 vs. 2014</u>	<u>Period-to-Period Change for the Year Ended December 31, 2014 vs. 2013</u>
Maintenance and repairs	\$177	\$13
Labor and related benefits	88	15
Costs of goods sold	81	4
Other	63	5
Transfer and disposal cost	<u>53</u>	<u>5</u>
	<u>\$462</u>	<u>\$42</u>

In addition to the impact of divestitures noted above, other significant items by category of expense include:

Labor and related benefits — The following significant items affected the comparability of expenses for the periods presented:

- The recognition of \$51 million of net charges in 2015 associated with the withdrawal from certain underfunded multiemployer pension plans;
- Higher wages due to merit increases effective in the second quarters of 2014 and 2015;
- Additional costs associated with the acquired operations of Deffenbaugh in 2015;
- Lower headcount and contract labor due to lower volumes in our collection line of business and operating efficiencies in our recycling line of business; and
- Decreased health and welfare costs in 2015 and increased health and welfare costs in 2014.

Transfer and disposal costs — The increase in transfer and disposal costs in 2015 compared to the prior year was primarily due to incurring third party costs for services previously provided on an intercompany basis prior to the divestiture of our Wheelabrator business in December 2014. These cost increases were offset, in part, by

the reduction in costs due to the divestitures, as discussed above. The decrease in costs in 2014 were driven in part by lower volumes in the collection and recycling lines of business.

Maintenance and repairs — The decrease in maintenance and repairs in 2015 was largely driven by the divestiture of Wheelabrator, which was partially offset by the increased costs related to the Deffenbaugh acquisition.

Subcontractor costs — The following significant items affected the comparability of expenses for the periods presented:

- Volume declines related to the loss of certain large accounts in our WMSBS organization;
- Decreased costs associated with lower costs in the landfill and recycling businesses in 2015;
- Higher costs related to remediation services; and
- Higher costs related to the RCI operations acquired in July 2013.

Cost of goods sold — The reduction in costs is primarily driven by lower recycling rebates due to (i) lower commodity prices; (ii) increased efforts to reduce controllable recycling rebates paid to customers; (iii) better alignment of rebate structures with commodity prices for new recycling contracts and (iv) ongoing recycling business improvement efforts around inbound quality control. These cost reductions were offset, in part, by increased costs in our remediation business and increased costs in 2014 related to our portable self-storage service.

Fuel — The decrease in fuel expense in 2015 and 2014 when compared to the prior periods was driven by (i) lower fuel prices; (ii) lower fuel purchases due to reduced collection volumes; (iii) lower costs resulting from the conversion of our fleet to natural gas vehicles and (iv) year-over-year increases in natural gas fuel excise credits.

Disposal and franchise fees and taxes — Significant items affecting the comparability of expenses for the periods presented include (i) increased disposal fees and taxes due to higher landfill volumes; (ii) decreased costs due to divestitures and (iii) a disposal surcharge in 2013.

Landfill operating costs — Significant items affecting the comparability of expenses for the periods presented include (i) unfavorable adjustments in 2014 as well as favorable adjustments in 2013 related to changes in U.S. Treasury rates used to discount the present value of our environmental remediation obligations and recovery assets and (ii) higher leachate costs for all comparable periods.

Risk management — The decrease in costs in 2014 was primarily due to lower auto and general liability claims and, to a lesser extent, decreased workers' compensation claims.

Selling, General and Administrative

Our selling, general and administrative expenses consist of (i) labor and related benefit costs, which include salaries, bonuses, related insurance and benefits, contract labor, payroll taxes and equity-based compensation; (ii) professional fees, which include fees for consulting, legal, audit and tax services; (iii) provision for bad debts, which includes allowances for uncollectible customer accounts and collection fees and (iv) other selling, general and administrative expenses, which include, among other costs, facility-related expenses, voice and data telecommunication, advertising, travel and entertainment, rentals, postage and printing. In addition, the financial impacts of litigation settlements generally are included in our "Other" selling, general and administrative expenses.

Our selling, general and administrative expenses decreased \$138 million, or 9.3%, when comparing 2015 with 2014 and increased \$13 million, or 0.9%, when comparing 2014 with 2013. Our selling, general and administrative expenses as a percentage of revenues were 10.4% in 2015, 10.6% in 2014 and 10.5% in 2013.

The following table summarizes the major components of our selling, general and administrative expenses for the years ended December 31 (dollars in millions):

	2015	Period-to-Period Change		2014	Period-to-Period Change		2013
Labor and related benefits	\$ 874	\$ (59)	(6.3)%	\$ 933	\$ 2	0.2%	\$ 931
Professional fees	112	(14)	(11.1)	126	(5)	(3.8)	131
Provision for bad debts	36	(5)	(12.2)	41	—	—	41
Other	321	(60)	(15.7)	381	16	4.4	365
	<u>\$1,343</u>	<u>\$(138)</u>	<u>(9.3)%</u>	<u>\$1,481</u>	<u>\$ 13</u>	<u>0.9%</u>	<u>\$1,468</u>

Our 2014 divestitures, primarily the sale of our Wheelabrator business in December 2014, favorably affected all cost categories when comparing expenses in 2015 to 2014. In addition to the impact of divestitures, other significant items by category of expense include:

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

- Cost savings from our August 2014 reorganization, which favorably affected both periods presented;
- Lower incentive compensation costs in 2015 as compared to both 2014 and 2013; and
- Merit increases in both 2015 and 2014.

Other — Changes in our other expenses are a result of higher litigation settlement costs in 2014 and our continued focus on controlling costs.

Depreciation and Amortization

Depreciation and amortization includes (i) depreciation of property and equipment, including assets recorded for capital leases, on a straight-line basis from three to 40 years; (ii) amortization of landfill costs, including those incurred and all estimated future costs for landfill development, construction and asset retirement costs arising from closure and post-closure, on a units-of-consumption method as landfill airspace is consumed over the total estimated remaining capacity of a site, which includes both permitted capacity and expansion capacity that meets our Company-specific criteria for amortization purposes; (iii) amortization of landfill asset retirement costs arising from final capping obligations on a units-of-consumption method as airspace is consumed over the estimated capacity associated with each final capping event and (iv) amortization of intangible assets with a definite life, using either a 150% declining balance approach or a straight-line basis over the definitive terms of the related agreements, which are generally from two to 15 years depending on the type of asset.

The following table summarizes the components of our depreciation and amortization expenses for the years ended December 31 (dollars in millions):

	2015	Period-to-Period Change		2014	Period-to-Period Change		2013
Depreciation of tangible property and equipment . . .	\$ 760	\$(74)	(8.9)%	\$ 834	\$(19)	(2.2)%	\$ 853
Amortization of landfill airspace	409	29	7.6	380	(20)	(5.0)	400
Amortization of intangible assets	76	(2)	(2.6)	78	(2)	(2.5)	80
	<u>\$1,245</u>	<u>\$(47)</u>	<u>(3.6)%</u>	<u>\$1,292</u>	<u>\$(41)</u>	<u>(3.1)%</u>	<u>\$1,333</u>

The decrease in depreciation of tangible property and equipment during 2015 is primarily due to the December 2014 sale of our Wheelabrator business as discussed further in Note 19 to the Consolidated Financial Statements. The increase in amortization of landfill airspace during 2015 is primarily due to increased volumes, a portion of which relates to the acquisition of Deffenbaugh. This increase was partially offset by favorable adjustments resulting from changes in landfill estimates. The decrease in depreciation and amortization expense during 2014 is primarily attributable to favorable adjustments resulting from changes in landfill estimates and fixed asset depreciation that was suspended when our Wheelabrator business was classified as held-for-sale in the third quarter of 2014 and subsequently sold in December 2014.

Restructuring

During the year ended December 31, 2015, we recognized \$15 million of pre-tax restructuring charges, of which \$10 million was related to employee severance and benefit costs, including costs associated with the loss of a municipal contract in our Eastern Canada Area and our acquisition of Deffenbaugh. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

In August 2014, we announced a consolidation and realignment of several Corporate functions to better support achievement of the Company's strategic goals, including cost reduction. Voluntary separation arrangements were offered to all salaried employees within these organizations. Approximately 650 employees separated from our Corporate and recycling organizations in connection with this restructuring. During the year ended December 31, 2014, we recognized a total of \$82 million of pre-tax restructuring charges, of which \$70 million was related to employee severance and benefit costs. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

During the year ended December 31, 2013, we recognized a total of \$18 million of pre-tax restructuring charges, of which \$7 million was related to employee severance and benefit costs, including costs associated with our acquisitions of Greenstar and RCI and our prior restructurings. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

Goodwill Impairments

During the year ended December 31, 2014, we recognized \$10 million of goodwill impairment charges associated with our recycling operations. During the year ended December 31, 2013, we recognized \$509 million of goodwill impairment charges, primarily related to (i) \$483 million associated with our Wheelabrator business; (ii) \$10 million associated with our Puerto Rico operations and (iii) \$9 million associated with a majority-owned waste diversion technology company. See Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Assumptions — Asset Impairments* and Note 3 to the Consolidated Financial Statements for additional information related to these impairment charges as well as the accounting policy and analysis involved in identifying and calculating impairments.

(Income) Expense from Divestitures, Asset Impairments (Other than Goodwill) and Unusual Items

The following table summarizes the major components of "(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items" for the year ended December 31 for the respective periods (in millions):

	Years Ended December 31,		
	2015	2014	2013
(Income) expense from divestitures	\$ (7)	\$(515)	\$ (8)
Asset impairments (other than goodwill)	89	345	472
	<u>\$82</u>	<u>\$(170)</u>	<u>\$464</u>

During the year ended December 31, 2015, we recognized net charges of \$82 million, primarily related to \$66 million of charges to impair certain of our oil and gas producing properties, as a result of the continued decline in oil and gas prices. We wrote down the carrying value of these properties to their estimated fair value using an income approach. At December 31, 2015, our remaining book value in these investments was \$30 million. We also recognized \$18 million of charges to write down or divest of certain assets in our recycling operations and a \$5 million impairment of a landfill in our Western Canada Area due to revised post-closure cost estimates. Partially offsetting these charges was \$7 million in net gains from divestitures, including a \$6 million gain on the sale of an oil and gas producing property in the second quarter of 2015.

During the year ended December 31, 2014, we recognized net gains of \$170 million, primarily related to the following:

- *Divestitures* — We recognized net gains of \$515 million, primarily as a result of a \$519 million gain on the sale of our Wheelabrator business and an \$18 million gain on the sale of certain landfill and collection operations in our Eastern Canada Area. Partially offsetting these gains was a \$25 million loss on the divestiture of our Puerto Rico operations. Refer to Note 19 to the Consolidated Financial Statements for additional information related to our divestitures.
- *Oil and gas properties impairments* — We recognized \$272 million of charges to impair certain of our oil and gas producing properties, primarily as a result of the pronounced decrease in oil and gas prices in the fourth quarter of 2014. We wrote down the carrying value of these properties to their estimated fair value using an income approach.
- *Other impairments* — We recognized additional impairment charges of \$73 million to write down assets in our waste diversion technology, renewable energy, recycling and medical waste operations.

During the year ended December 31, 2013, we recognized net charges of \$464 million, primarily related to the following:

- *Landfill impairments* — We recognized \$262 million of charges to impair certain of our landfills, primarily as a result of our consideration of management's decision in the fourth quarter of 2013 not to actively pursue expansion and/or development of such landfills. These charges were primarily associated with two landfills in our Eastern Canada Area, which are no longer accepting waste. We had previously concluded that receipt of permits for these landfills was probable. However, in connection with our asset rationalization and capital allocation analysis, which was influenced, in part, by our acquisition of RCI, we determined that the future costs to construct these landfills could be avoided as we are able to allocate disposal that would have gone to these landfills to other facilities and not materially impact operations. As a result of management's decision, we determined that the landfill assets were no longer able to be recovered by the undiscounted cash flows attributable to these assets. As such, we wrote them down to their estimated fair values using a market approach considering the highest and best use of the assets.
- *Waste-to-energy impairments* — We recognized \$144 million of impairment charges relating to three waste-to-energy facilities, primarily as a result of closure or anticipated closure due to continued difficulty securing sufficient volumes to operate the plants at capacity and the prospect of additional capacity entering the market where the largest facility is located. We wrote down the carrying value of our facilities to their estimated fair value using a market approach.
- *Other impairments* — The remainder of our 2013 charges were attributable to (i) \$31 million of charges to impair various recycling assets; (ii) \$20 million of charges to write down assets related to a majority-owned waste diversion technology company and (iii) a \$15 million charge to write down the carrying value of an oil and gas property to its estimated fair value.
- *Divestitures* — Partially offsetting these charges were \$8 million of net gains on divestitures.

See Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates and Assumptions — Asset Impairments* for additional information related to the accounting policy and analysis involved in identifying and calculating impairments.

In addition to the impairments discussed above, we are continuing to evaluate opportunities associated with the sale or discontinued use of assets that may no longer meet our strategic objectives or are underperforming. Accordingly, it is possible that additional charges may be recorded as assets are sold or become held-for-sale.

Income from Operations

The following table summarizes income from operations for the years ended December 31 (dollars in millions):

	<u>2015</u>	<u>Period-to- Period Change</u>		<u>2014</u>	<u>Period-to- Period Change</u>		<u>2013</u>
Solid Waste:							
Tier 1	\$1,290	\$ (11)	(0.8)%	\$1,301	\$ 55	4.4%	\$1,246
Tier 2	629	(82)	(11.5)	711	257	56.6	454
Tier 3	808	21	2.7	787	53	7.2	734
Solid Waste	2,727	(72)	(2.6)	2,799	365	15.0	2,434
Wheelabrator	—	(669)	*	669	1,186	*	(517)
Other	(160)	240	(60.0)	(400)	(229)	*	(171)
Corporate and other	(522)	247	(32.1)	(769)	(102)	15.3	(667)
Total	<u>\$2,045</u>	<u>\$(254)</u>	(11.0)	<u>\$2,299</u>	<u>\$1,220</u>	*	<u>\$1,079</u>

* Percentage change does not provide a meaningful comparison.

All information presented has been updated to reflect our realigned segments which are discussed further in Note 21 to the Consolidated Financial Statements.

Solid Waste — The most significant items affecting the results of operations of our Solid Waste business during the three years ended December 31, 2015 are summarized below:

- Our traditional Solid Waste business benefited from internal revenue growth and the impact of lower fuel prices.
- Our recycling business has been negatively affected by lower market prices for recycling commodities and lower volumes. In 2014, these unfavorable drivers were offset by (i) increased efforts to reduce controllable recycling rebates paid to customers; (ii) better alignment of rebate structures to commodity prices for new recycling contracts and (iii) ongoing business improvement efforts around inbound quality control. In 2015, these benefits offset, in part, the impact of lower market prices, lower volumes, and impairment charges related to various recycling assets due to continued declines in commodity prices.

In addition, the following items affected comparability of 2015 to 2014 within specific segments:

- We recognized \$51 million of net charges associated with the withdrawal from certain underfunded multiemployer pension plans in 2015 impacting all three tiers;
- The unfavorable impact of foreign currency translation on the results of our Canadian operations in Tiers 1 and 2;
- The unfavorable impact on our oilfield services business, primarily in Tier 2, of reduced drilling and auxiliary activities as a result of declining oil and gas prices; and
- The transfer of certain sales employees from our Corporate and Other segment in 2014.

In addition, the following items affected comparability of 2014 to 2013 within specific segments:

- Net charges of \$279 million, primarily related to impairments recognized in 2013. The most significant impairment charges were in our Eastern Canada Area, which is included in Tier 2, and were associated with the impairment of certain landfills as discussed above in *(Income) Expense from Divestitures, Asset Impairments (Other than Goodwill) and Unusual Items*;
- The loss on the sale of our Puerto Rico operations and certain other collection and landfill assets in 2014, which were included in Tier 3 and Tier 1, respectively;
- Adverse weather in the first quarter of 2014 unfavorably affected income from operations, which impacted all three tiers;
- The gain on the sale of certain landfill and collection operations in our Eastern Canada Area in 2014, which were included in Tier 2;
- The accretive benefits of the RCI operations acquired in July 2013, which are included in Tier 2;
- The gain on the sale of a vacant facility in 2014, which was included in Tier 3; and
- A reversal of a reserve in 2014 due to a favorable litigation resolution, which was included in Tier 1.

Wheelabrator — The most significant items affecting the results of operations of our Wheelabrator business in 2014 and 2013 were (i) a \$519 million gain on sale of our Wheelabrator business in December 2014 and (ii) \$627 million of pre-tax charges to impair goodwill and certain waste-to-energy facilities in 2013 as discussed above in *Goodwill Impairments* and *(Income) Expense from Divestitures, Asset Impairments (Other than Goodwill) and Unusual Items*.

Other — Our “Other” income from operations includes (i) those elements of our landfill gas-to-energy operations and third-party subcontract and administration revenues managed by our Energy and Environmental Services and Renewable Energy organizations, that are not included with the operations of our reportable segments; (ii) our recycling brokerage services and (iii) the results of investments that we are making in expanded service offerings, such as portable self-storage, long distance moving services, and fluorescent lamp recycling, and in oil and gas producing properties. In addition, our “Other” income from operations reflects the results of non-operating entities that provide financial assurance and self-insurance support for our Solid Waste.

Significant items affecting the comparability for the periods presented include:

- Net charges of \$66 million, \$339 million, and \$59 million primarily related to impairments of oil and gas producing properties recognized in 2015, 2014 and 2013, respectively;
- Higher costs related to remediation services in 2015;
- The transfer of certain sales employees from our Corporate and Other segment in 2014; and
- Improved results in our Strategic Business Solutions in 2014 and 2015.

Corporate and Other — Significant items affecting the comparability for the periods presented include:

- Restructuring costs related to our August 2014 reorganization and subsequent benefits resulting from our restructuring efforts;
- Lower medical costs in 2015 driven by lower claims and reduced headcount and higher year-over-year costs in 2014;
- The transfer of certain sales employees to our Solid Waste and Other segments that were included in this segment in 2014 as described above;
- Continued focus on controlling costs resulting in lower professional fees, telecommunications, contract labor, and travel and entertainment in 2015;

- Charges for the settlement of a legal dispute and related fees in 2014;
- Unfavorable adjustments in 2014 as well as favorable adjustments in 2013 related to changes in U.S. Treasury rates used to discount the present value of our environmental remediation obligations and recovery assets; and
- Increased risk management costs in 2015 primarily related to certain higher than anticipated auto and general liability claim settlements and favorable risk management allocation in 2014.

Interest Expense, net

Our interest expense, net was \$385 million in 2015, \$466 million in 2014 and \$477 million in 2013. During 2015, the decrease in interest expense was primarily attributable to the refinancing of a significant portion of our high-coupon senior notes. As a result of the combination of a make-whole redemption of certain senior notes, cash tender offers to purchase certain senior notes and the issuance of \$1.8 billion of new senior notes, we reduced the weighted average interest rate of our senior note portfolio by 1%. During 2014, the decrease in interest expense was primarily attributable to (i) the impacts that lower market interest rates had on certain of our tax-exempt debt; (ii) issuing new debt at lower fixed interest rates than debt repaid upon scheduled maturities and (iii) reduced costs associated with our letter of credit facilities due to improvements in the Company's overall credit rating. These decreases were partially offset by increases in expense associated with our terminated interest rate swaps due to the maturity of the underlying senior notes.

Loss on Early Extinguishment of Debt

During 2015, we refinanced a significant portion of our high-coupon senior notes. As a result of the combination of a make-whole redemption of certain senior notes, cash tender offers to purchase certain senior notes and the issuance of \$1.8 billion of new senior notes, we reduced the weighted average interest rate of our senior note portfolio by 1% and extended the weighted average duration of these debt obligations by three years. Additional details related to each component of the refinancing follow:

Make-Whole Redemption — In January 2015, we repaid \$947 million of WM senior notes, which comprised all of the outstanding senior notes maturing in 2015, 2017 and 2019. The repayment of these debt balances was achieved by exercising the optional redemption provisions of the notes, which required that we pay the outstanding principal plus a make-whole premium. The "Loss on early extinguishment of debt" reflected in our Consolidated Statement of Operations for the year ended December 31, 2015 includes the \$122 million of charges related to these redemptions.

Tender Offers — During 2015, WM and WM Holdings made cash tender offers to purchase any and all of certain outstanding senior notes. The series of notes targeted in the tenders and the amounts tendered of each series are summarized below:

- \$449 million of WM Holdings 7.10% senior notes due 2026, of which \$145 million were tendered;
- \$577 million of WM 7.00% senior notes due 2028, of which \$182 million were tendered;
- \$223 million of WM 7.375% senior notes due 2029, of which \$84 million were tendered;
- \$496 million of WM 7.75% senior notes due 2032, of which \$286 million were tendered; and
- \$600 million of WM 6.125% senior notes due 2039, of which \$326 million were tendered.

The "Loss on early extinguishment of debt" reflected in our Consolidated Statement of Operations for the year ended December 31, 2015 includes \$430 million of charges related to these tender offers.

Equity in Net Losses of Unconsolidated Entities

We recognized “Equity in net losses of unconsolidated entities” of \$38 million, \$53 million and \$34 million in 2015, 2014 and 2013, respectively. These losses are primarily related to our noncontrolling interests in two limited liability companies established to invest in and manage low-income housing properties and a refined coal facility, as well as (i) noncontrolling investments made to support our strategic initiatives and (ii) unconsolidated trusts for final capping, closure, post-closure or environmental obligations. The tax impacts realized as a result of our investments in low-income housing properties and the refined coal facility are discussed below in *Provision for Income Taxes*. Refer to Notes 9 and 20 to the Consolidated Financial Statements for more information related to these investments. In 2014, we recognized an additional \$11 million to write down equity method investments in waste diversion technology companies to their fair value.

Other, net

We recognized other, net expense of \$7 million, \$29 million and \$74 million in 2015, 2014 and 2013, respectively. The expenses for 2015, 2014 and 2013 were impacted by impairment charges of \$5 million, \$22 million and \$71 million, respectively, related to other-than-temporary declines in the value of investments in waste diversion technology companies accounted for under the cost method. We wrote down our investments to their fair value which was primarily determined using an income approach based on estimated future cash flow projections and, to a lesser extent, third-party investors’ recent transactions in these securities. Partially offsetting the 2013 charges was a \$4 million gain on the sale of a similar investment. The remaining expenses recognized during the reported periods are primarily related to the impact of foreign currency translation.

Provision for Income Taxes

We recorded provisions for income taxes of \$308 million in 2015, \$413 million in 2014 and \$364 million in 2013. These tax provisions resulted in an effective income tax rate of approximately 29.1%, 23.6% and 73.8% for the years ended 2015, 2014 and 2013, respectively. The comparability of our reported income taxes for the years ended December 31, 2015, 2014 and 2013 is primarily affected by (i) variations in our income before income taxes; (ii) federal tax credits; (iii) adjustments to our accruals and related deferred taxes; (iv) the realization of state net operating losses and credits; (v) tax audit settlements and (vi) the tax implications of divestitures and impairments. The impacts of these items are summarized below:

- *Investment in Refined Coal Facility* — Our refined coal facility investment and the resulting federal tax credits reduced our provision for income taxes by \$23 million, \$21 million and \$20 million for the years ended December 31, 2015, 2014 and 2013, respectively. Refer to Note 9 to the Consolidated Financial Statements for more information related to our refined coal facility investment.
- *Investment in Low-Income Housing Properties* — Our low-income housing properties investment and the resulting federal tax credits reduced our provision for income taxes by \$34 million, \$37 million and \$38 million for the years ended December 31, 2015, 2014 and 2013, respectively. Refer to Note 9 to the Consolidated Financial Statements for more information related to our low-income housing properties investment.
- *Other Federal Tax Credits* — During 2015, 2014 and 2013, we recognized federal tax credits in addition to the tax credits realized from our investments in the refined coal facility and low-income housing properties resulting in a reduction to our provision for income taxes of \$15 million, \$13 million and \$13 million, respectively.
- *Adjustments to Accruals and Related Deferred Taxes* — Adjustments to our accruals and related deferred taxes due to the filing of our income tax returns and changes in state law resulted in a reduction of \$18 million, a reduction of \$24 million and an increase of \$4 million to our provision for income taxes for the years ended December 31, 2015, 2014 and 2013, respectively.

- *State Net Operating Losses and Credits* — During 2015, 2014 and 2013, we recognized state net operating losses and credits resulting in a reduction to our provision for income taxes of \$17 million, \$16 million and \$16 million, respectively.
- *Tax Audit Settlements* — The settlement of various tax audits resulted in reductions to our provision for income taxes of \$10 million, \$12 million and \$11 million for the years ended December 31, 2015, 2014 and 2013, respectively.
- *Tax Implications of Divestitures* — During 2014, the Company recorded a net gain of \$515 million primarily related to the divestiture of our Wheelabrator business, our Puerto Rico operations and certain landfill and collection operations in our Eastern Canada Area. Had this net gain been fully taxable, our provision for income taxes would have increased by \$138 million. During 2015, the Company recorded an additional \$10 million net gain primarily related to post-closing adjustments on the Wheelabrator divestiture. Had this gain been fully taxable, our provision for income taxes would have increased by \$4 million. Refer to Note 19 to the Consolidated Financial Statements for more information related to divestitures.
- *Tax Implications of Impairments* — A portion of the impairment charges recognized are not deductible for tax purposes. Had the charges been fully deductible, our provision for income taxes would have been reduced by \$2 million, \$8 million and \$235 million for the years ended December 31, 2015, 2014 and 2013, respectively. See Note 13 to the Consolidated Financial Statements for more information related to asset impairments and unusual items.

We expect our 2016 recurring effective tax rate will be approximately 35.0% based on projected income before income taxes, federal tax credits and other permanent items, which is similar to prior year expectations.

The Protecting Americans from Tax Hikes Act of 2015 was signed into law on December 18, 2015 and included an extension for five years of the bonus depreciation allowance. As a result, 50% of qualifying capital expenditures on property placed in service before January 1, 2016 were depreciated immediately. The acceleration of deductions on 2015 qualifying capital expenditures resulting from the bonus depreciation provisions had no impact on our effective income tax rate for 2015 although it will reduce our cash taxes by approximately \$65 million. This reduction will be offset by increased cash taxes in subsequent periods when the deductions related to the capital expenditures would have otherwise been taken.

Noncontrolling Interests

Net loss attributable to noncontrolling interests was \$1 million in 2015 and net income attributable to noncontrolling interests was \$40 million in 2014 and \$32 million in 2013. The income for 2014 and 2013 was principally related to third parties' equity interests in two limited liability companies ("LLCs") that owned three waste-to-energy facilities operated by our Wheelabrator business. In December 2014, we purchased the noncontrolling interests in the LLCs from the third parties in anticipation of our sale of the Wheelabrator business. The LLCs were then subsequently sold as part of the divestment of our Wheelabrator business. Refer to Notes 19 and 20 to the Consolidated Financial Statements for information related to the sale of our Wheelabrator business and the consolidation of these variable interest entities, respectively.

The income for 2013 includes a net loss of \$10 million attributable to noncontrolling interest holders associated with the \$20 million impairment charge related to a majority-owned waste diversion technology company discussed above in *(Income) Expense from Divestitures, Asset Impairments (Other than Goodwill) and Unusual Items*.

Landfill and Environmental Remediation Discussion and Analysis

We owned or operated 244 solid waste and five secure hazardous waste landfills at December 31, 2015 and 247 solid waste and five secure hazardous waste landfills at December 31, 2014. At December 31, 2015 and 2014, the expected remaining capacity, in cubic yards and tonnage of waste that can be accepted at our owned or operated landfills, is shown below (in millions):

	December 31, 2015			December 31, 2014		
	Remaining Permitted Capacity	Expansion Capacity	Total Capacity	Remaining Permitted Capacity	Expansion Capacity	Total Capacity
Remaining cubic yards	4,740	298	5,038	4,708	275	4,983
Remaining tonnage	4,728	304	5,032	4,660	275	4,935

Based on remaining permitted airspace as of December 31, 2015 and projected annual disposal volumes, the weighted average remaining landfill life for all of our owned or operated landfills is approximately 46 years. Many of our landfills have the potential for expanded disposal capacity beyond what is currently permitted. We monitor the availability of permitted disposal capacity at each of our landfills and evaluate whether to pursue an expansion at a given landfill based on estimated future waste volumes and prices, remaining capacity and likelihood of obtaining an expansion permit. We are seeking expansion permits at 21 of our landfills that meet the expansion criteria outlined in the *Critical Accounting Estimates and Assumptions* section above. Although no assurances can be made that all future expansions will be permitted or permitted as designed, the weighted average remaining landfill life for all owned or operated landfills is approximately 49 years when considering remaining permitted airspace, expansion airspace and projected annual disposal volume.

The number of landfills we own or operate as of December 31, 2015, segregated by their estimated operating lives (in years), based on remaining permitted and expansion airspace and projected annual disposal volume, was as follows:

	0 to 5	6 to 10	11 to 20	21 to 40	41+	Total
Owled	9	16	25	60	91	201
Operated through lease(a)	6	—	1	3	5	15
Operating contracts(b)	10	5	3	7	8	33
Total landfills	25	21	29	70	104	249

- (a) Landfills we operate through lease agreements are similar to landfills we own because we own the landfill's operating permit and will operate the landfill for the entire lease term, which in many cases is the life of the landfill. We are usually responsible for the final capping, closure and post-closure obligations of the landfills we lease.
- (b) For operating contracts, the property owner owns the permit and we operate the landfill for a contracted term, which may be the life of the landfill. However, we are generally responsible for final capping, closure and post-closure obligations under the operating contracts.

The following table reflects landfill capacity and airspace changes, as measured in tons of waste, for landfills owned or operated by us during the years ended December 31, 2015 and 2014 (in millions):

	December 31, 2015			December 31, 2014		
	Remaining Permitted Capacity	Expansion Capacity	Total Capacity	Remaining Permitted Capacity	Expansion Capacity	Total Capacity
Balance, beginning of year	4,660	275	4,935	4,769	282	5,051
Acquisitions, divestitures, newly permitted landfills and closures	32	4	36	(90)	(5)	(95)
Changes in expansions pursued(a)	—	105	105	—	90	90
Expansion permits granted(b)	82	(82)	—	94	(94)	—
Airspace consumed	(97)	—	(97)	(96)	—	(96)
Changes in engineering estimates and other(c)	51	2	53	(17)	2	(15)
Balance, end of year	<u>4,728</u>	<u>304</u>	<u>5,032</u>	<u>4,660</u>	<u>275</u>	<u>4,935</u>

- (a) Amounts reflected here relate to the combined impacts of (i) new expansions pursued; (ii) increases or decreases in the airspace being pursued for ongoing expansion efforts; (iii) adjustments for differences between the airspace being pursued and airspace granted and (iv) decreases due to decisions to no longer pursue expansion permits.
- (b) We received expansion permits at six of our landfills during 2015 and eight of our landfills during 2014, demonstrating our continued success in working with municipalities and regulatory agencies to expand the disposal capacity of our existing landfills.
- (c) Changes in engineering estimates can result in changes to the estimated available remaining capacity of a landfill or changes in the utilization of such landfill capacity, affecting the number of tons that can be placed in the future. Estimates of the amount of waste that can be placed in the future are reviewed annually by our engineers and are based on a number of factors, including standard engineering techniques and site-specific factors such as current and projected mix of waste type; initial and projected waste density; estimated number of years of life remaining; depth of underlying waste; anticipated access to moisture through precipitation or recirculation of landfill leachate; and operating practices. We continually focus on improving the utilization of airspace through efforts that include recirculating landfill leachate where allowed by permit; optimizing the placement of daily cover materials; and increasing initial compaction through improved landfill equipment, operations and training.

The tons received at our landfills in 2015 and 2014 are shown below (tons in thousands):

	2015			2014		
	# of Sites	Total Tons	Tons per Day	# of Sites	Total Tons	Tons per Day
Solid waste landfills	244(a)	96,777	355	247	92,847	341
Hazardous waste landfills.	<u>5</u>	<u>567</u>	<u>2</u>	<u>5</u>	<u>505</u>	<u>2</u>
	249	97,344	<u>357</u>	252	93,352	<u>343</u>
Solid waste landfills closed, divested or contract expired during related year	5	<u>960</u>		15	<u>3,768</u>	
		<u>98,304(b)</u>			<u>97,120(b)</u>	

- (a) In 2015, we acquired two landfills, our contract expired at two landfills and we closed three landfills.
- (b) These amounts include 1.2 million tons at both December 31, 2015 and December 31, 2014, that were received at our landfills but were used for beneficial purposes and generally were redirected from the permitted airspace to other areas of the landfill. Waste types that are frequently identified for beneficial use include green waste for composting and clean dirt for on-site construction projects.

When a landfill we own or operate receives certification of closure from the applicable regulatory agency, we generally transfer the management of the site, including any remediation activities, to our closed sites management group. As of December 31, 2015, our closed sites management group managed 210 closed landfills.

Landfill Assets — We capitalize various costs that we incur to prepare a landfill to accept waste. These costs generally include expenditures for land (including the landfill footprint and required landfill buffer property), permitting, excavation, liner material and installation, landfill leachate collection systems, landfill gas collection systems, environmental monitoring equipment for groundwater and landfill gas, directly related engineering, capitalized interest, and on-site road construction and other capital infrastructure costs. The cost basis of our landfill assets also includes estimates of future costs associated with landfill final capping, closure and post-closure activities, which are discussed further below.

The following table reflects the total cost basis of our landfill assets and accumulated landfill airspace amortization as of December 31, 2015 and 2014, and summarizes significant changes in these amounts during 2015 (in millions):

	<u>Cost Basis of Landfill Assets</u>	<u>Accumulated Landfill Airspace Amortization</u>	<u>Landfill Assets</u>
December 31, 2014	\$13,463	\$(7,690)	\$5,773
Capital additions	437	—	437
Asset retirement obligations incurred and capitalized	61	—	61
Acquisitions	126	—	126
Amortization of landfill airspace ...	—	(409)	(409)
Foreign currency translation	(184)	61	(123)
Asset retirements and other adjustments	(131)	113	(18)
December 31, 2015	<u>\$13,772</u>	<u>\$(7,925)</u>	<u>\$5,847</u>

As of December 31, 2015, we estimate that we will spend approximately \$400 million in 2016, and approximately \$900 million in 2017 and 2018 combined, for the construction and development of our landfill assets. The specific timing of landfill capital spending is dependent on future events, and spending estimates are subject to change due to fluctuations in landfill waste volumes, changes in environmental requirements and other factors impacting landfill operations.

Landfill and Environmental Remediation Liabilities — As we accept waste at our landfills, we incur significant asset retirement obligations, which include liabilities associated with landfill final capping, closure and post-closure activities. These liabilities are accounted for in accordance with authoritative guidance associated with accounting for asset retirement obligations and are discussed in Note 3 of our Consolidated Financial Statements. We also have liabilities for the remediation of properties that have incurred environmental damage, which generally was caused by operations or for damage caused by conditions that existed before we acquired operations or a site. We recognize environmental remediation liabilities when we determine that the liability is probable and the estimated cost for the likely remedy can be reasonably estimated.

The following table reflects our landfill liabilities and our environmental remediation liabilities as of December 31, 2015 and 2014, and summarizes significant changes in these amounts during 2015 (in millions):

	<u>Landfill</u>	<u>Environmental Remediation</u>
December 31, 2014	\$1,443	\$235
Obligations incurred and capitalized	61	—
Obligations settled	(71)	(30)
Interest accretion	89	3
Revisions in estimates and interest rate assumptions	(11)	5
Acquisitions, divestitures and other adjustments ..	7	(4)
December 31, 2015	<u>\$1,518</u>	<u>\$209</u>

Landfill Costs and Expenses — As disclosed in the *Operating Expenses* section above, our landfill operating costs include interest accretion on asset retirement obligations, interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets, leachate and methane collection and treatment, landfill remediation costs, and other landfill site costs. The following table summarizes these costs for each of the three years indicated (in millions):

	<u>Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest accretion on landfill liabilities	\$ 89	\$ 88	\$ 87
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	1	14	(10)
Leachate and methane collection and treatment	96	84	77
Landfill remediation costs	5	9	10
Other landfill site costs	64	71	68
Total landfill operating costs	<u>\$255</u>	<u>\$266</u>	<u>\$232</u>

The comparison of these costs for the reported periods has been significantly affected by accounting for changes in the risk-free discount rate that we use to estimate the present value of our environmental remediation liabilities and environmental remediation recovery assets, which is based on the rate for U.S. Treasury bonds with a term approximating the weighted average period until settlement of the underlying obligations.

Amortization of landfill airspace, which is included as a component of “Depreciation and amortization” expense, includes the following:

- the amortization of landfill capital costs, including (i) costs that have been incurred and capitalized and (ii) estimated future costs for landfill development and construction required to develop our landfills to their remaining permitted and expansion airspace; and
- the amortization of asset retirement costs arising from landfill final capping, closure and post-closure obligations, including (i) costs that have been incurred and capitalized and (ii) projected asset retirement costs.

Amortization expense is recorded on a units-of-consumption basis, applying cost as a rate per ton. The rate per ton is calculated by dividing each component of the amortizable basis of a landfill by the number of tons needed to fill the corresponding asset’s airspace. Landfill capital costs and closure and post-closure asset retirement costs are generally incurred to support the operation of the landfill over its entire operating life and are, therefore, amortized on a per-ton basis using a landfill’s total airspace capacity. Final capping asset

retirement costs are related to a specific final capping event and are, therefore, amortized on a per-ton basis using each discrete final capping event's estimated airspace capacity. Accordingly, each landfill has multiple per-ton amortization rates.

The following table presents our landfill airspace amortization expense on a per-ton basis:

	<u>Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Amortization of landfill airspace (in millions)	\$ 409	\$ 380	\$ 400
Tons received, net of redirected waste (in millions)	97	96	93
Average landfill airspace amortization expense per ton	\$4.21	\$3.96	\$4.29

Different per-ton amortization rates are applied at each of our 249 landfills, and per-ton amortization rates vary significantly from one landfill to another due to (i) inconsistencies that often exist in construction costs and provincial, state and local regulatory requirements for landfill development and landfill final capping, closure and post-closure activities and (ii) differences in the cost basis of landfills that we develop versus those that we acquire. Accordingly, our landfill airspace amortization expense measured on a per-ton basis can fluctuate due to changes in the mix of volumes we receive across the Company year-over-year.

Liquidity and Capital Resources

We continually monitor our actual and forecasted cash flows, our liquidity and our capital resources, enabling us to plan for our present needs and fund unbudgeted business activities that may arise during the year as a result of changing business conditions or new opportunities. In addition to our working capital needs for the general and administrative costs of our ongoing operations, we have cash requirements for: (i) the construction and expansion of our landfills; (ii) additions to and maintenance of our trucking fleet and landfill equipment; (iii) construction, refurbishments and improvements at materials recovery facilities; (iv) the container and equipment needs of our operations; (v) final capping, closure and post-closure activities at our landfills; (vi) the repayment of debt and discharging of other obligations and (vii) capital expenditures, acquisitions and investments in support of our strategic growth plans. We also are committed to providing our shareholders with a return on their investment through dividend payments, and we have also returned value to our shareholders through share repurchases.

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

The following is a summary of our cash and cash equivalents, restricted trust and escrow accounts and debt balances as of December 31, 2015 and 2014 (in millions):

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	<u>\$ 39</u>	<u>\$1,307</u>
Restricted trust and escrow accounts:		
Final capping, closure, post-closure and environmental remediation funds	\$ 94	\$ 129
Other	<u>11</u>	<u>42</u>
Total restricted trust and escrow accounts	<u>\$ 105</u>	<u>\$ 171</u>
Debt:		
Current portion	\$ 253	\$1,090
Long-term portion	<u>8,728</u>	<u>8,345</u>
Total debt	<u>\$8,981</u>	<u>\$9,435</u>
Increase in carrying value of debt due to hedge accounting for interest rate swaps	<u>\$ 23</u>	<u>\$ 45</u>

Cash and cash equivalents — Cash and cash equivalents at December 31, 2014, included a portion of the \$1.95 billion of proceeds from the divestiture of our Wheelabrator business in December 2014. In 2015, we have primarily allocated available cash to the acquisition of Deffenbaugh, repurchasing shares and paying premiums on the early extinguishment of debt. Discussion of these activities is included in Notes 19, 15 and 7, respectively, to the Consolidated Financial Statements.

Restricted trust and escrow accounts — The decrease in final capping, closure, post-closure and environmental remediation funds from December 31, 2014 to December 31, 2015 is primarily due to the closure of certain trust and escrow accounts which were converted to other forms of financial assurance. Other restricted trust and escrow accounts at December 31, 2014 included the funding of a legal settlement which was paid in full in the second quarter of 2015.

Debt — We use long-term borrowings in addition to the cash we generate from operations as part of our overall financial strategy to support and grow our business. We primarily use senior notes and tax-exempt bonds to borrow on a long-term basis, but we also use other instruments and facilities when appropriate. The components of our long-term borrowings as of December 31, 2015 are described in Note 7 to the Consolidated Financial Statements.

Changes in our outstanding debt balances from December 31, 2014 to December 31, 2015 were primarily attributable to (i) net debt repayments of \$427 million and (ii) the impacts of other non-cash changes in our debt balances due to hedge accounting for interest rate swaps, foreign currency translation, and discounts.

As of December 31, 2015, we had \$732 million of debt maturing within the next 12 months, including (i) \$500 million of 2.6% senior notes that mature in September 2016; (ii) \$146 million of tax-exempt bonds and (iii) \$20 million of borrowings outstanding under our \$2.25 billion revolving credit facility. In addition, \$316 million of tax-exempt bonds have term interest rate periods subject to repricing within the next 12 months, which is prior to their scheduled maturities. We have classified the \$20 million of borrowings outstanding under our \$2.25 billion revolving credit facility as long-term because we intend and have the ability to refinance or maintain these borrowings on a long-term basis. Based on our intent and ability to refinance other portions of our current obligations on a long-term basis as of December 31, 2015, including through use of forecasted available capacity under our \$2.25 billion revolving credit facility, we have classified an additional \$775 million of debt as long-term. The remaining \$253 million is classified as current obligations.

During 2015, we refinanced a significant portion of our high-coupon senior notes in order to reduce the weighted average interest rate and extend the weighted average duration of our debt balances. We achieved this through a combination of a make-whole redemption of certain senior notes, cash tender offers to purchase certain senior notes and the issuance of \$1.8 billion of new senior notes consisting of:

- \$600 million of 3.125% senior notes due March 1, 2025;
- \$450 million of 3.90% senior notes due March 1, 2035; and
- \$750 million of 4.10% senior notes due March 1, 2045.

The net proceeds from these debt issuances were \$1.78 billion. The Company used the proceeds from the 2025 notes for general corporate purposes. The proceeds from the 2035 notes and the 2045 notes were used to pay the purchase price and accrued interest for the notes redeemed through the tender offers discussed above and for general corporate purposes. See Note 7 to the Consolidated Financial Statements for more information related to the debt transactions.

We have credit facilities in place to support our liquidity and financial assurance needs. The following table summarizes our outstanding letters of credit (in millions) at December 31, categorized by type of facility:

	<u>2015</u>	<u>2014</u>
Revolving credit facility(a)	\$ 831	\$ 785
Letter of credit facilities(b)	150	400
Other(c)	<u>316</u>	<u>257</u>
	<u>\$1,297</u>	<u>\$1,442</u>

- (a) In July 2015, we amended and restated our revolving credit facility extending the term through July 2020. At December 31, 2015, we had \$20 million of outstanding borrowings and \$831 million of letters of credit issued and supported by the facility, leaving an unused and available credit capacity of \$1,399 million.
- (b) As of December 31, 2015, we had an aggregate committed capacity of \$150 million under letter of credit facilities with terms extending through December 2018. This letter of credit capacity was fully utilized as of December 31, 2015.
- (c) These letters of credit are outstanding under various arrangements that do not obligate the counterparty to provide a committed capacity.

Summary of Cash Flow Activity

The following is a summary of our cash flows for the years ended December 31 (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash provided by operating activities	<u>\$ 2,498</u>	<u>\$ 2,331</u>	<u>\$ 2,455</u>
Net cash provided by (used in) investing activities	<u>\$(1,608)</u>	<u>\$ 995</u>	<u>\$(1,900)</u>
Net cash used in financing activities	<u>\$(2,155)</u>	<u>\$(2,072)</u>	<u>\$ (687)</u>

Net Cash Provided by Operating Activities — The most significant items affecting the comparison of our operating cash flows in 2015 to 2014 are summarized below:

- *Increased earnings from our traditional Solid Waste business* — In 2015, we saw an increase in cash earnings from our traditional Solid Waste business which was enhanced by acquisitions and corporate overhead cost reductions. These cash flow improvements were slightly offset by a decrease in earnings of our recycling operations.
- *Cash flow of divested businesses* — The divestiture of Wheelabrator in December 2014 coupled with the sale of other Solid Waste businesses throughout 2014 affected the year-over-year comparison by approximately \$140 million.
- *Decrease in tax payments* — Cash paid for income taxes, net of excess tax benefits associated with equity-based transactions, was \$329 million lower on a year-over-year basis, largely driven by (i) lower year-over-year pre-tax earnings primarily due to the loss on early extinguishment of debt in the first quarter of 2015 and (ii) the tax implications and related impacts of divestitures and impairments.
- *Decrease in interest payments* — Cash paid for interest decreased \$77 million, primarily due to the refinancing of a significant portion of our high-coupon senior notes during the first quarter of 2015, which is discussed further in Note 7 to the Consolidated Financial Statements.
- *Multiemployer pension plan settlements* — In 2015, we paid approximately \$60 million for multiemployer pension plan settlements primarily associated with the Central States, Southeast and Southwest Areas Pension Plan and the Teamsters Employers Local 945 Pension Fund. See Note 11 to the Consolidated Financial Statements for additional information.

- *Increase in bonus payments* — Payments for our annual incentive plans are typically made in the first quarter of the year based on prior year performance. Our cash flow from operations was unfavorably impacted by approximately \$65 million on a year-over-year basis, as the annual incentive plan payments made in the first quarter of 2015 were significantly higher than payments made in the first quarter of 2014.
- *Forward-starting swaps* — During the first quarter of 2014, the forward-starting interest rate swaps associated with the anticipated issuance of senior notes in 2014 matured, and we paid cash of \$36 million to settle the liabilities related to the swaps, as discussed further in Note 8 to the Consolidated Financial Statements. This cash payment was classified as a change in “Accounts payable and accrued liabilities” within “Net cash provided by operating activities” in the Consolidated Statement of Cash Flows.
- *Changes in assets and liabilities, net of effects from business acquisitions and divestitures* — Our cash flow from operations was unfavorably impacted on a year-over-year basis by changes in our assets and liabilities accounts, particularly non-trade related items including payroll and incentive accruals. However, we did experience continued improvement in both trade accounts receivable and accounts payable. Although our working capital changes may vary from year-to-year, they are typically driven by changes in accounts receivable, which are affected by both revenue changes and timing of payments received, and accounts payable changes, which are affected by both cost changes and timing of payments.

The most significant items affecting the comparisons of our operating cash flows in 2014 as compared to 2013 are summarized below:

- *Increase in earnings* — Our income from operations, excluding depreciation and amortization, increased by \$1.2 billion, on a year-over-year basis. Certain of the more significant drivers of our earnings improvement include:
 - Lower non-cash impairment charges of \$652 million in 2014 as compared to 2013; and
 - The net gain on the sale of our Wheelabrator business of \$519 million in 2014.

After considering these items, and certain other non-cash items included in our comparative results, our earnings drove an improvement in our cash flows from operating activities of approximately \$100 million.

- *Increase in tax payments* — Cash paid for income taxes, net of excess tax benefits associated with equity-based transactions, was approximately \$242 million higher on a year-over-year basis due to (i) higher pre-tax earnings; (ii) approximately \$210 million anticipated overpayment during 2014, when comparing our year-end tax provisions to payments made throughout the year and (iii) taxes associated with the divestiture of our Puerto Rico operations.
- *Forward-starting swaps* — During 2014, the forward-starting interest rate swaps associated with the anticipated issuance of senior notes in 2014 matured, and we paid cash of \$36 million to settle the liabilities related to the swaps. This cash payment has been classified as a change in “Accounts payable and accrued liabilities” within “Net cash provided by operating activities” in the Consolidated Statement of Cash Flows.
- *Changes in other operating assets and liabilities, net of effects from business acquisitions and divestitures* — Our cash flow from operations was favorably impacted on a year-over-year basis by changes in our working capital accounts. Although our working capital changes may vary from year to year, they are typically driven by changes in accounts receivable, which are affected by both revenue changes and timing of payments received, and accounts payable changes, which are affected by both cost changes and timing of payments.

Net Cash Provided by (Used in) Investing Activities — The most significant items affecting the comparison of our investing cash flows for the periods presented are summarized below:

- *Capital expenditures* — We used \$1,233 million during 2015 for capital expenditures, compared with \$1,151 million in 2014 and \$1,271 million in 2013. The increase in capital expenditures in 2015 is primarily attributable to new business opportunities, growth in our existing business and the timing of replacement of aging assets.
- *Proceeds from divestitures* — Proceeds from divestitures and other assets (net of cash divested) were \$145 million in 2015, \$2,253 million in 2014 and \$138 million in 2013. In 2015, \$79 million of these divestitures were made as part of our continuous focus on improving or divesting certain non-strategic or underperforming operations, with the remaining amounts generally related to the sale of fixed assets. In 2014, our proceeds from divestitures were primarily related to the sale of our Wheelabrator business for \$1.95 billion and, to a lesser extent, the sale of our Puerto Rico operations and certain landfill and collection operations in our Eastern Canada Area. In 2013, our proceeds from divestitures included approximately \$41 million related to oil and gas producing properties and \$14 million related to certain of our medical waste service operations and a transfer station in our Greater Mid-Atlantic Area. The remaining amount reported for 2013, generally relates to the sale of fixed assets.
- *Acquisitions* — Our spending on acquisitions was \$554 million in 2015 compared to \$35 million in 2014 and \$724 million in 2013. In 2015, \$415 million of our spending on acquisitions was for the collection and disposal operations of Deffenbaugh. The remainder of our 2015 acquisition spending primarily related to our Solid Waste business. All of our 2014 acquisitions related to our Solid Waste business. In 2013, our acquisitions consisted primarily of the recycling operations of Greenstar, for which we paid \$170 million, and substantially all of the assets of RCI, for which we paid \$481 million. The remainder of our 2013 acquisitions related to our Solid Waste business and energy services operations. See Note 19 to the Consolidated Financial Statements for additional information related to our acquisitions. We continue to focus on accretive acquisitions and growth opportunities that will enhance and expand our existing service offerings.
- *Investments in unconsolidated entities* — We made \$20 million, \$33 million and \$33 million of cash investments in unconsolidated entities during 2015, 2014 and 2013, respectively. In 2015, our investments primarily consisted of additional capital contributions associated with our investment in a refined coal facility, which generates federal tax credits. In 2014 and 2013, our investments primarily related to additional capital contributions associated with our investment in a refined coal facility and waste diversion technology companies.
- *Net receipts from restricted funds* — Net cash received from our restricted trust and escrow accounts contributed \$51 million to our investing activities in 2015 compared with \$19 million in 2014 and \$71 million in 2013. In 2015, these activities were largely related to our replacement of funded trust and escrow accounts with alternative forms of financial assurance.
- *Other* — Net cash provided by our other investing activities was \$3 million during 2015. Net cash used by our other investing activities of \$58 million and \$81 million during 2014 and 2013, respectively, was primarily associated with the funding of notes receivable associated with Wheelabrator's investments in the U.K., prior to the sale of our Wheelabrator business in December 2014.

Net Cash Used in Financing Activities — The most significant items affecting the comparison of our financing cash flows for the periods presented are summarized below:

- *Share repurchases* — For the periods presented, all share repurchases have been made in accordance with financial plans approved by our Board of Directors.

We paid \$600 million for share repurchases during both 2015 and 2014 and \$239 million for share repurchases during 2013. See Note 15 to the Consolidated Financial Statements for additional information.

We announced in December 2015 that the Board of Directors refreshed its prior authorization of up to \$1 billion in future share repurchases. Any future share repurchases will be made at the discretion of management, and will depend on factors similar to those considered by the Board of Directors in making dividend declarations.

- *Dividend payments* — For the periods presented, all dividends have been declared and paid in accordance with financial plans approved by our Board of Directors.

We paid an aggregate of \$695 million in cash dividends during 2015, compared with \$693 million in 2014, and \$683 million in 2013. The increase in dividend payments is due to our quarterly per share dividend increasing from \$0.365 in 2013, to \$0.375 in 2014, and to \$0.385 in 2015 and has been offset, in part, by a reduction in our common stock outstanding as a result of our share repurchase programs.

In December 2015, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.385 to \$0.41 per share for dividends declared in 2016. However, all future dividend declarations are at the discretion of the Board of Directors and depend on various factors, including our net earnings, financial condition, cash required for future business plans and other factors the Board may deem relevant.

- *Proceeds from the exercise of common stock options* — The exercise of common stock options generated \$77 million of financing cash inflows during 2015 compared with \$93 million during 2014 and \$132 million during 2013. The year-over-year changes are generally due to the level of stock options exercised throughout the year, which is primarily driven by changes in the Company's stock price and the number of exercisable options.
- *Debt borrowings (repayments)* — Net debt repayments were \$427 million in 2015 and \$751 million in 2014 compared to net debt borrowings of \$155 million in 2013. The following summarizes our cash borrowings and debt repayments made during each year (in millions):

	Years Ended December 31,		
	2015	2014	2013
<i>Borrowings:</i>			
U.S. revolving credit facility	\$ 100	\$ 2,225	\$ 1,140
Canadian credit facility and term loan	11	88	1,007
Senior notes	1,781	347	—
Tax-exempt bonds	262	—	—
Other debt	183	157	85
	<u>\$ 2,337</u>	<u>\$ 2,817</u>	<u>\$ 2,232</u>
<i>Repayments:</i>			
U.S. revolving credit facility	\$ (80)	\$(2,645)	\$(1,120)
Canadian credit facility and term loan	(130)	(243)	(666)
Senior notes	(1,970)	(350)	—
Tax-exempt bonds	(341)	(123)	(162)
Capital leases and other debt	(243)	(207)	(129)
	<u>\$(2,764)</u>	<u>\$(3,568)</u>	<u>\$(2,077)</u>
<i>Net borrowings (repayments)</i>	<u><u>\$ (427)</u></u>	<u><u>\$ (751)</u></u>	<u><u>\$ 155</u></u>

For the year ended December 31, 2015, non-cash financing activities included \$262 million of tax-exempt bond refundings and reissuances. For the year ended December 31, 2013, non-cash financing activities included proceeds from tax-exempt borrowings, net of principal payments made directly from trust funds, of \$99 million. During 2014, we did not have any significant non-cash financing activities.

Refer to Note 7 to the Consolidated Financial Statements for additional information related to our debt borrowings and repayments.

- *Premiums paid on early extinguishment of debt* — Premiums paid on early extinguishment of debt of \$555 million during the year ended December 31, 2015 are primarily related to (i) make-whole premiums paid on certain senior notes that the Company decided to redeem in advance of their scheduled maturities and (ii) premiums paid to tender certain high-coupon senior notes. See Note 7 to the Consolidated Financial Statements for further discussion of these transactions.
- *Acquisitions of and distributions paid to noncontrolling interests* — The purchases of and distributions paid to our noncontrolling interests were \$1 million, \$125 million and \$59 million in 2015, 2014 and 2013, respectively. The increase during 2014 compared to 2013 is primarily attributable to the purchase of the noncontrolling interests in the LLCs related to our waste-to-energy facilities in December 2014 for \$91 million, in anticipation of our sale of our Wheelabrator business. The LLCs were then subsequently sold as part of the divestment. See Note 20 to the Consolidated Financial Statements for further discussion of these LLCs.

Summary of Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2015 and the anticipated effect of these obligations on our liquidity in future years (in millions):

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
Recorded Obligations:							
Expected environmental liabilities:(a)							
Final capping, closure and post-closure	\$ 112	\$139	\$ 132	\$106	\$ 140	\$2,105	\$ 2,734
Environmental remediation	32	26	30	19	11	89	207
	144	165	162	125	151	2,194	2,941
Debt payments(b),(c),(d)	730	221	792	175	740	6,379	9,037
Unrecorded Obligations:(e)							
Non-cancelable operating lease obligations	89	77	61	51	42	281	601
Estimated unconditional purchase obligations(f) . . .	184	164	126	100	86	424	1,084
Anticipated liquidity impact as of							
December 31, 2015	<u>\$1,147</u>	<u>\$627</u>	<u>\$1,141</u>	<u>\$451</u>	<u>\$1,019</u>	<u>\$9,278</u>	<u>\$13,663</u>

- (a) Environmental liabilities include final capping, closure, post-closure and environmental remediation costs. The amounts included here reflect environmental liabilities recorded in our Consolidated Balance Sheet as of December 31, 2015 without the impact of discounting and inflation. Our recorded environmental liabilities for final capping, closure and post-closure will increase as we continue to place additional tons within the permitted airspace at our landfills.
- (b) The amounts reported here represent the scheduled principal payments related to our long-term debt, excluding related interest. Refer to Note 7 to the Consolidated Financial Statements for information regarding interest rates.
- (c) Our debt obligations as of December 31, 2015 include \$316 million of tax-exempt bonds subject to repricing within the next 12 months, which is prior to their scheduled maturities. If the re-offerings of the bonds are unsuccessful, then the bonds can be put to us, requiring immediate repayment. We have classified the anticipated cash flows for these contractual obligations based on the scheduled maturity of the borrowing for purposes of this disclosure. For additional information regarding the classification of these borrowings in our Consolidated Balance Sheet as of December 31, 2015, refer to Note 7 to the Consolidated Financial Statements.
- (d) Our recorded debt obligations include non-cash adjustments associated with discounts, premiums and fair value adjustments for interest rate hedging activities. These amounts have been excluded here because they will not result in an impact to our liquidity in future periods.
- (e) Our unrecorded obligations represent operating lease obligations and purchase commitments from which we expect to realize an economic benefit in future periods. We have also made certain guarantees, as discussed

in Note 11 to the Consolidated Financial Statements, that we do not expect to materially affect our current or future financial position, results of operations or liquidity.

- (f) Our unconditional purchase obligations are for various contractual obligations that we generally incur in the ordinary course of our business. Certain of our obligations are quantity driven. For contracts that require us to purchase minimum quantities of goods or services, we have estimated our future minimum obligations based on the current market values of the underlying products or services. Accordingly, the amounts reported in the table are not necessarily indicative of our actual cash flow obligations. See Note 11 to the Consolidated Financial Statements for discussion of the nature and terms of our unconditional purchase obligations.

Liquidity Impacts of Income Tax Items

Cash Taxes — Our tax payments in 2015, net of excess tax benefits associated with equity-based transactions, were \$329 million lower than 2014, primarily due to (i) lower pre-tax earnings due to the loss on early extinguishment of debt and (ii) the tax implications and related impacts of divestitures and impairments.

Bonus Depreciation — The Protecting Americans from Tax Hikes Act of 2015 was signed into law on December 18, 2015 and included an extension for five years of the bonus depreciation allowance. As a result, 50% of qualifying capital expenditures on property placed in service before January 1, 2016 were depreciated immediately. The acceleration of deductions on 2015 qualifying capital expenditures resulting from the bonus depreciation provisions had no impact on our effective income tax rate for 2015 although it will reduce our cash taxes by approximately \$65 million. This reduction will be offset by increased cash taxes in subsequent periods when the deductions related to the capital expenditures would have otherwise been taken. Overall, the effect of all applicable years' bonus depreciation programs resulted in increased cash taxes of approximately \$25 million in 2015.

Uncertain Tax Positions — We have liabilities associated with unrecognized tax benefits and related interest. These liabilities are included as a component of long-term "Other liabilities" in our Consolidated Balance Sheets because the Company does not anticipate that settlement of the liabilities will require payment of cash within the next 12 months. We are not able to reasonably estimate when we might make any cash payments required to settle these liabilities, but we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. As of December 31, 2015, we anticipate that approximately \$36 million of liabilities for unrecognized tax benefits, including accrued interest, and \$5 million of related tax assets may be reversed within the next 12 months. The anticipated reversals primarily relate to the deductibility and exclusion from gross income of certain federal tax items and other miscellaneous state tax items, each of which is individually insignificant. The recognition of the unrecognized tax benefits is expected to result from the filing of our tax returns, audit settlements or the expiration of the applicable statute of limitations period.

Off-Balance Sheet Arrangements

We have financial interests in unconsolidated variable interest entities as discussed in Note 20 to the Consolidated Financial Statements. Additionally, we are party to guarantee arrangements with unconsolidated entities as discussed in the *Guarantees* section of Note 11 to the Consolidated Financial Statements. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2015, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

New Accounting Standard Pending Adoption

In May 2014, the FASB amended authoritative guidance associated with revenue recognition. The amended guidance requires companies to recognize revenue to depict the transfer of promised goods or services to

customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the amendments will require enhanced qualitative and quantitative disclosures regarding customer contracts. The amended authoritative guidance associated with revenue recognition is effective for the Company on January 1, 2018. The amended guidance may be applied retrospectively for all periods presented or retrospectively with the cumulative effect of initially applying the amended guidance recognized at the date of initial application. We are in the process of assessing the provisions of the amended guidance and have not determined whether the adoption will have a material impact on our consolidated financial statements.

Inflation

While inflationary increases in costs, including the cost of diesel fuel, have affected our income from operations margins in recent years, we believe that inflation generally has not had, and in the near future is not expected to have, any material adverse effect on our results of operations. However, as of December 31, 2015, approximately 30% of our collection revenues are generated under long-term agreements with price adjustments based on various indices intended to measure inflation. Additionally, management's estimates associated with inflation have had, and will continue to have, an impact on our accounting for landfill and environmental remediation liabilities.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

In the normal course of business, we are exposed to market risks, including changes in interest rates, Canadian currency rates and certain commodity prices. From time to time, we use derivatives to manage some portion of these risks. Our derivatives are agreements with independent counterparties that provide for payments based on a notional amount. As of December 31, 2015, all of our derivative transactions were related to actual or anticipated economic exposures. We are exposed to credit risk in the event of non-performance by our derivative counterparties. However, we monitor our derivative positions by regularly evaluating our positions and the creditworthiness of the counterparties.

Interest Rate Exposure — Our exposure to market risk for changes in interest rates relates primarily to our financing activities, although our interest costs can also be significantly affected by our ongoing financial assurance needs, which are discussed in the *Financial Assurance and Insurance Obligations* section of Item 1.

As of December 31, 2015, we had \$9.0 billion of long-term debt when excluding the impacts of accounting for fair value adjustments attributable to interest rate derivatives, discounts and premiums. Approximately, \$911 million of our debt is exposed to changes in market interest rates within the next 12 months. Our variable-rate debt obligations are (i) \$491 million of tax-exempt bonds that are subject to repricing on either a daily or weekly basis through a remarketing process; (ii) \$316 million of tax-exempt bonds with term interest rate periods that are subject to repricing within 12 months, which is prior to their scheduled maturities; (iii) \$84 million of outstanding borrowings under our Canadian term loan and (iv) \$20 million of borrowings outstanding under \$2.25 billion revolving credit facility. We currently estimate that a 100 basis point increase in the interest rates of our outstanding variable-rate debt obligations would increase our 2016 interest expense by approximately \$8 million. As of December 31, 2014, the effective interest rates of approximately \$1.4 billion of our outstanding debt obligations were subject to change within 12 months.

Our remaining outstanding debt obligations have fixed interest rates through either the scheduled maturity of the debt or, for certain of our "fixed-rate" tax exempt bonds, through the end of a term interest rate period that exceeds twelve months. The fair value of our fixed-rate debt obligations and various interest rate derivative instruments, if any, can increase or decrease significantly if market interest rates change.

We performed a sensitivity analysis to determine how market rate changes might affect the fair value of our market risk-sensitive debt instruments. This analysis is inherently limited because it reflects a singular,

hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. An instantaneous, one percentage point increase in interest rates across all maturities attributable to these instruments would have decreased the fair value of our debt by approximately \$600 million at December 31, 2015.

We are also exposed to interest rate market risk because we have cash and cash equivalent balances as well as assets held in restricted trust funds and escrow accounts. These assets are generally invested in high quality, liquid instruments including money market funds that invest in U.S. government obligations with original maturities of three months or less. Because of the short terms to maturity of these investments, we believe that our exposure to changes in fair value due to interest rate fluctuations is insignificant.

Commodity Price Exposure — In the normal course of our business, we are subject to operating agreements that expose us to market risks arising from changes in the prices for commodities such as diesel fuel; recyclable materials, including old corrugated cardboard, old newsprint and plastics; and electricity, which generally correlates with natural gas prices in many of the markets in which we operate. During the three years ended December 31, 2015, we generally have not entered into derivatives to hedge the risks associated with changes in the market prices of these commodities, with the exception of electricity commodity derivatives divested in conjunction with the sale of our Wheelabrator business in December 2014. Alternatively, we attempt to manage these risks through operational strategies that focus on capturing our costs in the prices we charge our customers for the services provided. Accordingly, as the market prices for these commodities increase or decrease, our revenues also increase or decrease.

Currency Rate Exposure — We have operations in Canada as well as a cost center in India and investments in Hong Kong. Where significant, we have quantified and described the impact of foreign currency translation on components of income, including operating revenue and operating costs. However, the impact of foreign currency has not materially affected our results of operations. During 2015, we did see a reduction in stockholders' equity of \$159 million due to the fluctuations in the Canadian dollar within accumulated other comprehensive income (loss). We hedge a portion of our foreign currency risk using currency derivatives to mitigate the impact of currency translation on cash flows of intercompany Canadian-currency denominated debt transactions. Our foreign currency derivatives have not materially affected our financial position or results of operations for the periods presented. In addition, while changes in foreign currency exchange rates could significantly affect the fair value of our foreign currency derivatives, we believe these changes in fair value would not have a material impact to the Company. The foreign currency exposure associated with these investments has not been material. Refer to Notes 8 and 14 to the Consolidated Financial Statements for additional information regarding our foreign currency derivatives and translation.

Item 8. *Financial Statements and Supplementary Data.*

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CONSOLIDATED FINANCIAL STATEMENTS**

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company, including the principal executive and financial officers, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. Our internal controls are designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

- i. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of our internal control over financial reporting as of December 31, 2015 based on the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on its assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of our internal control over financial reporting has been audited by Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements, as stated in their report, which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Waste Management, Inc.

We have audited Waste Management, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Waste Management, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Waste Management, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Waste Management, Inc. as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2015, and our report dated February 18, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 18, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Waste Management, Inc.

We have audited the accompanying consolidated balance sheets of Waste Management, Inc. (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Waste Management, Inc. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Waste Management, Inc.’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 18, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 18, 2016

WASTE MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS
(In Millions, Except Share and Par Value Amounts)

	December 31,	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 39	\$ 1,307
Accounts receivable, net of allowance for doubtful accounts of \$25 and \$30, respectively	1,549	1,587
Other receivables	545	350
Parts and supplies	92	106
Other assets	120	176
Total current assets	2,345	3,526
Property and equipment, net of accumulated depreciation and amortization of \$16,420 and \$15,968, respectively	10,665	10,657
Goodwill	5,984	5,740
Other intangible assets, net	477	440
Investments in unconsolidated entities	360	408
Other assets	588	526
Total assets	\$20,419	\$21,297
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 721	\$ 740
Accrued liabilities	1,064	1,180
Deferred revenues	472	475
Current portion of long-term debt	253	1,090
Total current liabilities	2,510	3,485
Long-term debt, less current portion	8,728	8,345
Deferred income taxes	1,391	1,338
Landfill and environmental remediation liabilities	1,584	1,531
Other liabilities	839	709
Total liabilities	15,052	15,408
Commitments and contingencies		
Equity:		
Waste Management, Inc. stockholders' equity:		
Common stock, \$0.01 par value; 1,500,000,000 shares authorized; 630,282,461 shares issued	6	6
Additional paid-in capital	4,827	4,585
Retained earnings	6,939	6,888
Accumulated other comprehensive income (loss)	(127)	23
Treasury stock at cost, 183,105,326 and 171,745,077 shares, respectively	(6,300)	(5,636)
Total Waste Management, Inc. stockholders' equity	5,345	5,866
Noncontrolling interests	22	23
Total equity	5,367	5,889
Total liabilities and equity	\$20,419	\$21,297

See notes to Consolidated Financial Statements.

WASTE MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Millions, Except per Share Amounts)

	Years Ended December 31,		
	2015	2014	2013
Operating revenues:			
Service revenues	\$11,887	\$12,646	\$12,566
Tangible product revenues	1,074	1,350	1,417
Total operating revenues	<u>12,961</u>	<u>13,996</u>	<u>13,983</u>
Costs and expenses:			
Operating costs:			
Cost of services	7,281	7,856	7,880
Cost of tangible products	950	1,146	1,232
Total operating costs	<u>8,231</u>	<u>9,002</u>	<u>9,112</u>
Selling, general and administrative	1,343	1,481	1,468
Depreciation and amortization	1,245	1,292	1,333
Restructuring	15	82	18
Goodwill impairments	—	10	509
(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items	82	(170)	464
	<u>10,916</u>	<u>11,697</u>	<u>12,904</u>
Income from operations	<u>2,045</u>	<u>2,299</u>	<u>1,079</u>
Other income (expense):			
Interest expense, net	(385)	(466)	(477)
Loss on early extinguishment of debt	(555)	—	—
Equity in net losses of unconsolidated entities	(38)	(53)	(34)
Other, net	(7)	(29)	(74)
	<u>(985)</u>	<u>(548)</u>	<u>(585)</u>
Income before income taxes	1,060	1,751	494
Provision for income taxes	308	413	364
Consolidated net income	<u>752</u>	<u>1,338</u>	<u>130</u>
Less: Net income (loss) attributable to noncontrolling interests	(1)	40	32
Net income attributable to Waste Management, Inc.	<u>\$ 753</u>	<u>\$ 1,298</u>	<u>\$ 98</u>
Basic earnings per common share	<u>\$ 1.66</u>	<u>\$ 2.80</u>	<u>\$ 0.21</u>
Diluted earnings per common share	<u>\$ 1.65</u>	<u>\$ 2.79</u>	<u>\$ 0.21</u>
Cash dividends declared per common share	<u>\$ 1.54</u>	<u>\$ 1.50</u>	<u>\$ 1.46</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Years Ended December 31,		
	2015	2014	2013
Consolidated net income	\$ 752	\$1,338	\$130
Other comprehensive income (loss), net of taxes:			
Derivative instruments, net	9	1	12
Available-for-sale securities, net	(2)	4	2
Foreign currency translation adjustments	(159)	(124)	(68)
Post-retirement benefit obligation, net	2	(12)	15
Other comprehensive income (loss), net of taxes	<u>(150)</u>	<u>(131)</u>	<u>(39)</u>
Comprehensive income	602	1,207	91
Less: Comprehensive income (loss) attributable to noncontrolling interests	(1)	40	32
Comprehensive income attributable to Waste Management, Inc.	<u>\$ 603</u>	<u>\$1,167</u>	<u>\$ 59</u>

See notes to Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Consolidated net income	\$ 752	\$ 1,338	\$ 130
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization	1,245	1,292	1,333
Deferred income tax (benefit) provision	30	(118)	(149)
Interest accretion on landfill liabilities	89	88	87
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	1	14	(10)
Provision for bad debts	36	42	39
Equity-based compensation expense	72	65	58
Excess tax benefits associated with equity-based transactions	(15)	(5)	(10)
Net gain on disposal of assets	(18)	(35)	(21)
Effect of goodwill impairments	—	10	509
Effect of (income) expense from divestitures, asset impairments (other than goodwill) and unusual items and other	87	(137)	535
Equity in net losses of unconsolidated entities, net of dividends	42	42	34
Loss on early extinguishment of debt	555	—	—
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(178)	(268)	44
Other current assets	16	(19)	(7)
Other assets	(7)	22	4
Accounts payable and accrued liabilities	(112)	117	(27)
Deferred revenues and other liabilities	(97)	(117)	(94)
Net cash provided by operating activities	2,498	2,331	2,455
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(554)	(35)	(724)
Capital expenditures	(1,233)	(1,151)	(1,271)
Proceeds from divestitures of businesses and other assets (net of cash divested)	145	2,253	138
Net receipts from restricted trust and escrow accounts	51	19	71
Investments in unconsolidated entities	(20)	(33)	(33)
Other	3	(58)	(81)
Net cash provided by (used in) investing activities	(1,608)	995	(1,900)
Cash flows from financing activities:			
New borrowings	2,337	2,817	2,232
Debt repayments	(2,764)	(3,568)	(2,077)
Premiums paid on early extinguishment of debt	(555)	—	—
Common stock repurchases	(600)	(600)	(239)
Cash dividends	(695)	(693)	(683)
Exercise of common stock options	77	93	132
Excess tax benefits associated with equity-based transactions	15	5	10
Acquisitions of and distributions paid to noncontrolling interests	(1)	(125)	(59)
Other	31	(1)	(3)
Net cash used in financing activities	(2,155)	(2,072)	(687)
Effect of exchange rate changes on cash and cash equivalents	(3)	(5)	(4)
Increase (decrease) in cash and cash equivalents	(1,268)	1,249	(136)
Cash and cash equivalents at beginning of year	1,307	58	194
Cash and cash equivalents at end of year	\$ 39	\$ 1,307	\$ 58

See notes to Consolidated Financial Statements.

WASTE MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Millions, Except Shares in Thousands)

	Waste Management, Inc. Stockholders' Equity								
	Total	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Noncontrolling Interests
		Shares	Amounts				Shares	Amounts	
Balance, December 31, 2012	\$6,675	630,282	\$ 6	\$4,549	\$6,879	\$ 193	(166,062)	\$(5,273)	\$ 321
Consolidated net income	130	—	—	—	98	—	—	—	32
Other comprehensive income (loss), net of taxes	(39)	—	—	—	—	(39)	—	—	—
Cash dividends declared	(683)	—	—	—	(683)	—	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	216	—	—	47	(5)	—	5,461	174	—
Common stock repurchases	(239)	—	—	—	—	—	(5,368)	(239)	—
Distributions paid to noncontrolling interests	(59)	—	—	—	—	—	—	—	(59)
Other	1	—	—	—	—	—	7	—	1
Balance, December 31, 2013	\$6,002	630,282	\$ 6	\$4,596	\$6,289	\$ 154	(165,962)	\$(5,338)	\$ 295
Consolidated net income	1,338	—	—	—	1,298	—	—	—	40
Other comprehensive income (loss), net of taxes	(131)	—	—	—	—	(131)	—	—	—
Cash dividends declared	(693)	—	—	—	(693)	—	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	195	—	—	79	(6)	—	3,779	122	—
Common stock repurchases	(600)	—	—	(180)	—	—	(9,569)	(420)	—
Distributions paid to noncontrolling interests	(34)	—	—	—	—	—	—	—	(34)
Acquisitions of noncontrolling interests and divestiture of Wheelabrator business	(188)	—	—	90	—	—	—	—	(278)
Other	—	—	—	—	—	—	7	—	—
Balance, December 31, 2014	\$5,889	630,282	\$ 6	\$4,585	\$6,888	\$ 23	(171,745)	\$(5,636)	\$ 23
Consolidated net income	752	—	—	—	753	—	—	—	(1)
Other comprehensive income (loss), net of taxes	(150)	—	—	—	—	(150)	—	—	—
Cash dividends declared	(695)	—	—	—	(695)	—	—	—	—
Equity-based compensation transactions, including dividend equivalents, net of taxes	171	—	—	62	(7)	—	3,457	116	—
Common stock repurchases	(600)	—	—	180	—	—	(14,823)	(780)	—
Distributions paid to noncontrolling interests	(1)	—	—	—	—	—	—	—	(1)
Other	1	—	—	—	—	—	6	—	1
Balance, December 31, 2015	\$5,367	630,282	\$ 6	\$4,827	\$6,939	\$(127)	(183,105)	\$(6,300)	\$ 22

See notes to Consolidated Financial statements.

WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2015, 2014 and 2013

1. Business

The financial statements presented in this report represent the consolidation of Waste Management, Inc., a Delaware corporation; Waste Management's wholly-owned and majority-owned subsidiaries; and certain variable interest entities for which Waste Management or its subsidiaries are the primary beneficiaries as described in Note 20. Waste Management is a holding company and all operations are conducted by its subsidiaries. When the terms "the Company," "we," "us" or "our" are used in this document, those terms refer to Waste Management, Inc., its consolidated subsidiaries and consolidated variable interest entities. When we use the term "WM," we are referring only to Waste Management, Inc., the parent holding company.

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

We evaluate, oversee and manage the financial performance of our Solid Waste business subsidiaries through our 17 geographic Areas. We also provide additional services that are not managed through our Solid Waste business, which are presented in this report as "Other." Additional information related to our segments can be found in Note 21.

In December 2014, we sold our Wheelabrator business, which provides waste-to-energy services and manages waste-to-energy facilities and independent power production plants. Refer to Note 19 for additional information related to our divestitures.

2. Accounting Changes and Reclassifications

Accounting Changes

Deferred Income Taxes — In November 2015, the Financial Accounting Standards Board ("FASB") amended authoritative guidance associated with deferred income taxes. To simplify the presentation of deferred income taxes, the amended guidance requires that deferred tax liabilities and assets be classified as noncurrent in the statement of financial position. This eliminates the guidance to separate deferred income tax liabilities and assets into current and noncurrent amounts in the statement of financial position. The amendments to the authoritative guidance associated with deferred income taxes were effective for the Company on January 1, 2016; however, early adoption was permitted. The Company's early adoption of this guidance in 2015 was applied retrospectively and did not have a material impact on our consolidated financial statements.

Reclassifications

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

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of WM, its wholly-owned and majority-owned subsidiaries and certain variable interest entities for which we have determined that we are the primary beneficiary. All material intercompany balances and transactions have been eliminated. Investments in entities in which we do not have a controlling financial interest are accounted for under either the equity method or cost method of accounting, as appropriate.

Estimates and Assumptions

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

Cash and Cash Equivalents

Cash in excess of current operating requirements is invested in short-term interest-bearing instruments with maturities of three months or less at the date of purchase and is stated at cost, which approximates market value.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, investments held within our trust funds and escrow accounts, accounts receivable and derivative instruments. We make efforts to control our exposure to credit risk associated with these instruments by (i) placing our assets and other financial interests with a diverse group of credit-worthy financial institutions; (ii) holding high-quality financial instruments while limiting investments in any one instrument and (iii) maintaining strict policies over credit extension that include credit evaluations, credit limits and monitoring procedures, although generally we do not have collateral requirements for credit extensions. We also control our exposure associated with trade receivables by discontinuing service, to the extent allowable, to non-paying customers. However, our overall credit risk associated with trade receivables is limited due to the large number of diverse customers we serve. At December 31, 2015 and 2014, no single customer represented greater than 5% of total accounts receivable.

Trade and Other Receivables

Our receivables, which are recorded when billed, when services are performed or when cash is advanced, are claims against third parties that will generally be settled in cash. The carrying value of our receivables, net of the allowance for doubtful accounts, represents the estimated net realizable value. We estimate our allowance for doubtful accounts based on historical collection trends; type of customer, such as municipal or commercial; the age of outstanding receivables; and existing economic conditions. If events or changes in circumstances indicate

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when our internal collection efforts have been unsuccessful. Also, we recognize interest income on long-term interest-bearing notes receivable as the interest accrues under the terms of the notes. We no longer accrue interest once the notes are deemed uncollectible.

Other receivables at December 31, 2015 and 2014 include receivables related to tax payments in excess of the provision of \$439 million and \$255 million, respectively.

Parts and Supplies

Parts and supplies consist primarily of spare parts, fuel, tires, lubricants and processed recycling materials. Our parts and supplies are stated at the lower of cost, using the average cost method, or market.

Landfill Accounting

Cost Basis of Landfill Assets — We capitalize various costs that we incur to make a landfill ready to accept waste. These costs generally include expenditures for land (including the landfill footprint and required landfill buffer property); permitting; excavation; liner material and installation; landfill leachate collection systems; landfill gas collection systems; environmental monitoring equipment for groundwater and landfill gas; and directly related engineering, capitalized interest, on-site road construction and other capital infrastructure costs. The cost basis of our landfill assets also includes asset retirement costs, which represent estimates of future costs associated with landfill final capping, closure and post-closure activities. These costs are discussed below.

Final Capping, Closure and Post-Closure Costs — Following is a description of our asset retirement activities and our related accounting:

- *Final Capping* — Involves the installation of flexible membrane liners and geosynthetic clay liners, drainage and compacted soil layers and topsoil over areas of a landfill where total airspace capacity has been consumed. Final capping asset retirement obligations are recorded on a units-of-consumption basis as airspace is consumed related to the specific final capping event with a corresponding increase in the landfill asset. Each final capping event is accounted for as a discrete obligation and recorded as an asset and a liability based on estimates of the discounted cash flows and capacity associated with each final capping event.
- *Closure* — Includes the construction of the final portion of methane gas collection systems (when required), demobilization and routine maintenance costs. These are costs incurred after the site ceases to accept waste, but before the landfill is certified as closed by the applicable state regulatory agency. These costs are recorded as an asset retirement obligation as airspace is consumed over the life of the landfill with a corresponding increase in the landfill asset. Closure obligations are recorded over the life of the landfill based on estimates of the discounted cash flows associated with performing closure activities.
- *Post-Closure* — Involves the maintenance and monitoring of a landfill site that has been certified closed by the applicable regulatory agency. Generally, we are required to maintain and monitor landfill sites for a 30-year period. These maintenance and monitoring costs are recorded as an asset retirement obligation as airspace is consumed over the life of the landfill with a corresponding increase in the landfill asset. Post-closure obligations are recorded over the life of the landfill based on estimates of the discounted cash flows associated with performing post-closure activities.

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We develop our estimates of these obligations using input from our operations personnel, engineers and accountants. Our estimates are based on our interpretation of current requirements and proposed regulatory changes and are intended to approximate fair value. Absent quoted market prices, the estimate of fair value is based on the best available information, including the results of present value techniques. In many cases, we contract with third parties to fulfill our obligations for final capping, closure and post-closure. We use historical experience, professional engineering judgment and quoted and actual prices paid for similar work to determine the fair value of these obligations. We are required to recognize these obligations at market prices whether we plan to contract with third parties or perform the work ourselves. In those instances where we perform the work with internal resources, the incremental profit margin realized is recognized as a component of operating income when the work is performed.

Once we have determined the final capping, closure and post-closure costs, we inflate those costs to the expected time of payment and discount those expected future costs back to present value. During the years ended December 31, 2015, 2014 and 2013, we inflated these costs in current dollars until the expected time of payment using an inflation rate of 2.5%. We discounted these costs to present value using the credit-adjusted, risk-free rate effective at the time an obligation is incurred, consistent with the expected cash flow approach. Any changes in expectations that result in an upward revision to the estimated cash flows are treated as a new liability and discounted at the current rate while downward revisions are discounted at the historical weighted average rate of the recorded obligation. As a result, the credit-adjusted, risk-free discount rate used to calculate the present value of an obligation is specific to each individual asset retirement obligation. The weighted average rate applicable to our long-term asset retirement obligations at December 31, 2015 is approximately 6.25%. We expect to apply a credit-adjusted, risk-free discount rate of 4.50% to liabilities incurred in the first quarter of 2016.

We record the estimated fair value of final capping, closure and post-closure liabilities for our landfills based on the capacity consumed through the current period. The fair value of final capping obligations is developed based on our estimates of the airspace consumed to date for each final capping event and the expected timing of each final capping event. The fair value of closure and post-closure obligations is developed based on our estimates of the airspace consumed to date for the entire landfill and the expected timing of each closure and post-closure activity. Because these obligations are measured at estimated fair value using present value techniques, changes in the estimated cost or timing of future final capping, closure and post-closure activities could result in a material change in these liabilities, related assets and results of operations. We assess the appropriateness of the estimates used to develop our recorded balances annually, or more often if significant facts change.

Changes in inflation rates or the estimated costs, timing or extent of future final capping, closure and post-closure activities typically result in both (i) a current adjustment to the recorded liability and landfill asset and (ii) a change in liability and asset amounts to be recorded prospectively over either the remaining capacity of the related discrete final capping event or the remaining permitted and expansion airspace (as defined below) of the landfill. Any changes related to the capitalized and future cost of the landfill assets are then recognized in accordance with our amortization policy, which would generally result in amortization expense being recognized prospectively over the remaining capacity of the final capping event or the remaining permitted and expansion airspace of the landfill, as appropriate. Changes in such estimates associated with airspace that has been fully utilized result in an adjustment to the recorded liability and landfill assets with an immediate corresponding adjustment to landfill airspace amortization expense.

Interest accretion on final capping, closure and post-closure liabilities is recorded using the effective interest method and is recorded as final capping, closure and post-closure expense, which is included in "Operating" expenses within our Consolidated Statements of Operations.

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Amortization of Landfill Assets — The amortizable basis of a landfill includes (i) amounts previously expended and capitalized; (ii) capitalized landfill final capping, closure and post-closure costs; (iii) projections of future purchase and development costs required to develop the landfill site to its remaining permitted and expansion capacity and (iv) projected asset retirement costs related to landfill final capping, closure and post-closure activities.

Amortization is recorded on a units-of-consumption basis, applying expense as a rate per ton. The rate per ton is calculated by dividing each component of the amortizable basis of a landfill by the number of tons needed to fill the corresponding asset's airspace. For landfills that we do not own, but operate through operating or lease arrangements, the rate per ton is calculated based on expected capacity to be utilized over the lesser of the contractual term of the underlying agreement or the life of the landfill.

We apply the following guidelines in determining a landfill's remaining permitted and expansion airspace:

- *Remaining Permitted Airspace* — Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is used to compare the existing landfill topography to the expected final landfill topography.
- *Expansion Airspace* — We also include currently unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. First, to include airspace associated with an expansion effort, we must generally expect the initial expansion permit application to be submitted within one year and the final expansion permit to be received within five years. Second, we must believe that obtaining the expansion permit is likely, considering the following criteria:
 - Personnel are actively working on the expansion of an existing landfill, including efforts to obtain land use and local, state or provincial approvals;
 - We have a legal right to use or obtain land to be included in the expansion plan;
 - There are no significant known technical, legal, community, business, or political restrictions or similar issues that could negatively affect the success of such expansion; and
 - Financial analysis has been completed based on conceptual design, and the results demonstrate that the expansion meets Company criteria for investment.

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated by our field-based engineers, accountants, managers and others to identify potential obstacles to obtaining the permits. Once the unpermitted airspace is included, our policy provides that airspace may continue to be included in remaining permitted and expansion airspace even if certain of these criteria are no longer met as long as we continue to believe we will ultimately obtain the permit, based on the facts and circumstances of a specific landfill. In these circumstances, continued inclusion must be approved through a landfill-specific review process that includes approval by our Chief Financial Officer and a review by the Audit Committee of our Board of Directors on a quarterly basis. Of the 21 landfill sites with expansions included at December 31, 2015, three landfills required the Chief Financial Officer to approve the inclusion of the unpermitted airspace. One landfill required approval by our Chief Financial Officer because of community or political opposition that could impede the expansion process. The remaining two landfills required approval because the permit application process did not meet the one- or five-year requirements.

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When we include the expansion airspace in our calculations of remaining permitted and expansion airspace, we also include the projected costs for development, as well as the projected asset retirement costs related to final capping, closure and post-closure of the expansion in the amortization basis of the landfill.

Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor (“AUF”) is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys and is then adjusted to account for future settlement. The amount of settlement that is forecasted will take into account several site-specific factors including current and projected mix of waste type, initial and projected waste density, estimated number of years of life remaining, depth of underlying waste, anticipated access to moisture through precipitation or recirculation of landfill leachate, and operating practices. In addition, the initial selection of the AUF is subject to a subsequent multi-level review by our engineering group, and the AUF used is reviewed on a periodic basis and revised as necessary. Our historical experience generally indicates that the impact of settlement at a landfill is greater later in the life of the landfill when the waste placed at the landfill approaches its highest point under the permit requirements.

After determining the costs and remaining permitted and expansion capacity at each of our landfills, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for each landfill for assets associated with each final capping event, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future. These rates per ton are updated annually, or more often, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates, or related assumptions, prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates or higher expenses; or higher profitability may result if the opposite occurs. Most significantly, if it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time management makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

Environmental Remediation Liabilities

We are subject to an array of laws and regulations relating to the protection of the environment. Under current laws and regulations, we may have liabilities for environmental damage caused by operations, or for damage caused by conditions that existed before we acquired a site. These liabilities include potentially responsible party (“PRP”) investigations, settlements, and certain legal and consultant fees, as well as costs directly associated with site investigation and clean up, such as materials, external contractor costs and incremental internal costs directly related to the remedy. We provide for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We routinely review and evaluate sites that require remediation and determine our estimated cost for the likely remedy based on a number of estimates and assumptions.

Where it is probable that a liability has been incurred, we estimate costs required to remediate sites based on site-specific facts and circumstances. We routinely review and evaluate sites that require remediation, considering whether we were an owner, operator, transporter, or generator at the site, the amount and type of

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waste hauled to the site and the number of years we were associated with the site. Next, we review the same type of information with respect to other named and unnamed PRPs. Estimates of the costs for the likely remedy are then either developed using our internal resources or by third-party environmental engineers or other service providers. Internally developed estimates are based on:

- Management's judgment and experience in remediating our own and unrelated parties' sites;
- Information available from regulatory agencies as to costs of remediation;
- The number, financial resources and relative degree of responsibility of other PRPs who may be liable for remediation of a specific site; and
- The typical allocation of costs among PRPs, unless the actual allocation has been determined.

Estimating our degree of responsibility for remediation is inherently difficult. We recognize and accrue for an estimated remediation liability when we determine that such liability is both probable and reasonably estimable. Determining the method and ultimate cost of remediation requires that a number of assumptions be made. There can sometimes be a range of reasonable estimates of the costs associated with the likely site remediation alternatives identified in the investigation of the extent of environmental impact. In these cases, we use the amount within the range that constitutes our best estimate. If no amount within a range appears to be a better estimate than any other, we use the amount that is the low end of such range. If we used the high ends of such ranges, our aggregate potential liability would be approximately \$190 million higher than the \$209 million recorded in the Consolidated Financial Statements as of December 31, 2015. Our ultimate responsibility may differ materially from current estimates. It is possible that technological, regulatory or enforcement developments, the results of environmental studies, the inability to identify other PRPs, the inability of other PRPs to contribute to the settlements of such liabilities, or other factors could require us to record additional liabilities. Our ongoing review of our remediation liabilities, in light of relevant internal and external facts and circumstances, could result in revisions to our accruals that could cause upward or downward adjustments to income from operations. These adjustments could be material in any given period.

Where we believe that both the amount of a particular environmental remediation liability and the timing of the payments are fixed or reliably determinable, we inflate the cost in current dollars (by 2.5% at December 31, 2015 and 2014) until the expected time of payment and discount the cost to present value using a risk-free discount rate, which is based on the rate for U.S. Treasury bonds with a term approximating the weighted average period until settlement of the underlying obligation. We determine the risk-free discount rate and the inflation rate on an annual basis unless interim changes would significantly impact our results of operations. For remedial liabilities that have been discounted, we include interest accretion, based on the effective interest method, in "Operating" expenses in our Consolidated Statements of Operations. The following table summarizes the impacts of revisions in the risk-free discount rate applied to our environmental remediation liabilities and recovery assets during the reported periods (in millions) and the risk-free discount rate applied as of each reporting date:

	Years Ended December 31,		
	2015	2014	2013
Charge (reduction) to Operating expenses	\$ (2)	\$ 10	\$ (13)
Risk-free discount rate applied to environmental remediation liabilities and recovery assets	2.25%	2.00%	3.00%

The portion of our recorded environmental remediation liabilities that were not subject to inflation or discounting, as the amounts and timing of payments are not fixed or reliably determinable, was \$52 million at December 31, 2015 and \$41 million at December 31, 2014. Had we not inflated and discounted any portion of our environmental remediation liability, the amount recorded would have decreased by \$3 million and \$6 million at December 31, 2015 and 2014, respectively.

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Property and Equipment (exclusive of landfills, discussed above)

We record property and equipment at cost. Expenditures for major additions and improvements are capitalized and maintenance activities are expensed as incurred. We depreciate property and equipment over the estimated useful life of the asset using the straight-line method. We assume no salvage value for our depreciable property and equipment. When property and equipment are retired, sold or otherwise disposed of, the cost and accumulated depreciation are removed from our accounts and any resulting gain or loss is included in results of operations as an offset or increase to operating expense for the period.

The estimated useful lives for significant property and equipment categories are as follows (in years):

	<u>Useful Lives</u>
Vehicles — excluding rail haul cars	3 to 10
Vehicles — rail haul cars	10 to 20
Machinery and equipment — including containers	3 to 30
Buildings and improvements	5 to 40
Furniture, fixtures and office equipment	3 to 10

We include capitalized costs associated with developing or obtaining internal-use software within furniture, fixtures and office equipment. These costs include direct external costs of materials and services used in developing or obtaining the software and internal costs for employees directly associated with the software development project.

Leases

We lease property and equipment in the ordinary course of our business. Our most significant lease obligations are for property and equipment specific to our industry, including real property operated as a landfill or transfer station. Our leases have varying terms. Some may include renewal or purchase options, escalation clauses, restrictions, penalties or other obligations that we consider in determining minimum lease payments. The leases are classified as either operating leases or capital leases, as appropriate.

Operating Leases (excluding landfills discussed below) — The majority of our leases are operating leases. This classification generally can be attributed to either (i) relatively low fixed minimum lease payments as a result of real property lease obligations that vary based on the volume of waste we receive or process or (ii) minimum lease terms that are much shorter than the assets' economic useful lives. Management expects that in the normal course of business our operating leases will be renewed, replaced by other leases, or replaced with fixed asset expenditures. Our rent expense during each of the last three years and our future minimum operating lease payments for each of the next five years for which we are contractually obligated as of December 31, 2015 are disclosed in Note 11.

Capital Leases (excluding landfills discussed below) — Assets under capital leases are capitalized using interest rates determined at the inception of each lease and are amortized over either the useful life of the asset or the lease term, as appropriate, on a straight-line basis. The present value of the related lease payments is recorded as a debt obligation. Our future minimum annual capital lease payments are included in our total future debt obligations as disclosed in Note 7.

Landfill Leases — From an operating perspective, landfills that we lease are similar to landfills we own because generally we own the landfill's operating permit and will operate the landfill for the entire lease term, which in many cases is the life of the landfill. As a result, our landfill leases are generally capital leases. The

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most significant portion of our rental obligations for landfill leases is contingent upon operating factors such as disposal volumes and often there are no contractual minimum rental obligations. Contingent rental obligations are expensed as incurred. For landfill capital leases that provide for minimum contractual rental obligations, we record the present value of the minimum obligation as part of the landfill asset, which is amortized on a units-of-consumption basis over the shorter of the lease term or the life of the landfill.

Acquisitions

We generally recognize assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities, based on fair value estimates as of the date of acquisition.

Contingent Consideration — In certain acquisitions, we agree to pay additional amounts to sellers contingent upon achievement by the acquired businesses of certain negotiated goals, such as targeted revenue levels, targeted disposal volumes or the issuance of permits for expanded landfill airspace. We have recognized liabilities for these contingent obligations based on their estimated fair value at the date of acquisition with any differences between the acquisition-date fair value and the ultimate settlement of the obligations being recognized as an adjustment to income from operations.

Acquired Assets and Assumed Liabilities — Assets and liabilities arising from contingencies such as pre-acquisition environmental matters and litigation are recognized at their acquisition-date fair value when their respective fair values can be determined. If the fair values of such contingencies cannot be determined, they are recognized at the acquisition date if the contingencies are probable and an amount can be reasonably estimated.

Acquisition-date fair value estimates are revised as necessary and accounted for as an adjustment to income from operations if, and when, additional information regarding these contingencies becomes available to further define and quantify assets acquired and liabilities assumed. All acquisition-related transaction costs have been expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but as discussed in the *Asset Impairments* section below, we assess our goodwill for impairment at least annually.

Other intangible assets consist primarily of customer and supplier relationships, covenants not-to-compete, licenses, permits (other than landfill permits, as all landfill-related intangible assets are combined with landfill tangible assets and amortized using our landfill amortization policy), and other contracts. Other intangible assets are recorded at acquisition date fair value and are generally amortized using either a 150% declining balance approach or a straight-line basis as we determine appropriate. Customer and supplier relationships are typically amortized over a term ranging between 10 and 15 years. Covenants not-to-compete are amortized over the term of the non-compete covenant, which is generally two to five years. Licenses, permits and other contracts are amortized over the definitive terms of the related agreements. If the underlying agreement does not contain definitive terms and the useful life is determined to be indefinite, the asset is not amortized.

Asset Impairments

We monitor the carrying value of our long-lived assets for potential impairment on an ongoing basis and test the recoverability of such assets using significant unobservable (“Level 3”) inputs whenever events or changes in

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

circumstances indicate that their carrying amounts may not be recoverable. These events or changes in circumstances, including management decisions pertaining to such assets, are referred to as impairment indicators. If an impairment indicator occurs, we perform a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If cash flows cannot be separately and independently identified for a single asset, we will determine whether an impairment has occurred for the group of assets for which we can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, we measure any impairment by comparing the fair value of the asset or asset group to its carrying value. Fair value is generally determined by considering (i) internally developed discounted projected cash flow analysis of the asset or asset group; (ii) actual third-party valuations and/or (iii) information available regarding the current market for similar assets. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs and is included in the “(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items” line item in our Consolidated Statement of Operations. Estimating future cash flows requires significant judgment and projections may vary from the cash flows eventually realized, which could impact our ability to accurately assess whether an asset has been impaired.

There are additional considerations for impairments of landfills, goodwill and other indefinite-lived intangible assets, as described below.

Landfills — The assessment of impairment indicators and the recoverability of our capitalized costs associated with landfills and related expansion projects require significant judgment due to the unique nature of the waste industry, the highly regulated permitting process and the sensitive estimates involved. During the review of a landfill expansion application, a regulator may initially deny the expansion application although the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace, or a landfill may be required to cease accepting waste, prior to receipt of the expansion permit. However, such events occur in the ordinary course of business in the waste industry and do not necessarily result in impairment of our landfill assets because, after consideration of all facts, such events may not affect our belief that we will ultimately obtain the expansion permit. As a result, our tests of recoverability, which generally make use of a probability-weighted cash flow estimation approach, may indicate that no impairment loss should be recorded. During the year ended December 31, 2013, we recognized \$262 million of charges to impair certain of our landfills, primarily as a result of our consideration of management’s decision in the fourth quarter of 2013 not to actively pursue expansion and/or development of such landfills. These charges were primarily associated with two landfills in our Eastern Canada Area, which are no longer accepting waste. We had previously concluded that receipt of permits for these landfills was probable. However, in connection with our asset rationalization and capital allocation analysis, which was influenced, in part, by our acquisition of RCI Environnement, Inc. (“RCI”), we determined that the future costs to construct these landfills could be avoided as we are able to allocate disposal that would have gone to these landfills to other facilities and not materially impact operations. As a result of management’s decision, we determined that the carrying values of landfill assets were no longer able to be recovered by the undiscounted cash flows attributable to these assets. As such, we wrote their carrying values down to their estimated fair values using a market approach considering the highest and best use of the assets.

Goodwill — At least annually, and more frequently if warranted, we assess our goodwill for impairment using Level 3 inputs.

We assess whether a goodwill impairment exists using both qualitative and quantitative assessments. Our qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, we will not perform a quantitative assessment.

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If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative assessment, we perform a quantitative assessment, or two-step impairment test, to determine whether a goodwill impairment exists at the reporting unit. The first step in our quantitative assessment identifies potential impairments by comparing the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. Fair value is typically estimated using a combination of the income approach and market approach or only an income approach when applicable. The income approach is based on the long-term projected future cash flows of the reporting units. We discount the estimated cash flows to present value using a weighted average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the reporting units' expected long-term performance considering the economic and market conditions that generally affect our business. The market approach estimates fair value by measuring the aggregate market value of publicly-traded companies with similar characteristics to our business as a multiple of their reported cash flows. We then apply that multiple to the reporting units' cash flows to estimate their fair values. We believe that this approach is appropriate because it provides a fair value estimate using valuation inputs from entities with operations and economic characteristics comparable to our reporting units.

Fair value computed by these two methods is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that these two methods provide a reasonable approach to estimating the fair value of our reporting units.

During our annual 2013 impairment test of our goodwill balances we determined the fair value of our Wheelabrator business had declined and the associated goodwill was impaired. As a result, we recognized an impairment charge of \$483 million, which had no related tax benefit. We estimated the implied fair value of our Wheelabrator reporting unit goodwill using a combination of income and market approaches. Because the annual impairment test indicated that Wheelabrator's carrying value exceeded its estimated fair value, we performed the "step two" analysis. In the "step two" analysis, the fair values of all assets and liabilities were estimated, including tangible assets, power contracts, customer relationships and trade name for the purpose of deriving an estimate of the implied fair value of goodwill. The implied fair value of goodwill was then compared to the carrying amount of goodwill to determine the amount of the impairment. The factors contributing to the \$483 million goodwill impairment charge principally related to the continued challenging business environment in areas of the country in which Wheelabrator operated, characterized by lower available disposal volumes (which impact disposal rates and overall disposal revenue, as well as the amount of electricity Wheelabrator was able to generate), lower electricity pricing due to the pricing pressure created by availability of natural gas and increased operating costs as Wheelabrator's facilities aged. These factors caused us to lower prior assumptions for electricity and disposal revenue, and increase assumed operating costs. Additionally, the discount factor previously utilized in the income approach in 2013 increased mainly due to increases in interest rates. In 2013, we also incurred \$10 million of charges to impair goodwill associated with our Puerto Rico operations. In 2014, we recognized \$10 million of goodwill impairment charges associated with our recycling operations.

Refer to Note 13 for information related to impairments recognized during the reported periods.

Indefinite-Lived Intangible Assets Other Than Goodwill — At least annually, and more frequently if warranted, we assess indefinite-lived intangible assets other than goodwill for impairment.

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When performing the impairment test for indefinite-lived intangible assets, we generally first conduct a qualitative analysis to determine whether we believe it is more likely than not that an asset has been impaired. If we believe an impairment has occurred, we then evaluate for impairment by comparing the estimated fair value of assets to the carrying value. An impairment charge is recognized if the asset's estimated fair value is less than its carrying value.

Fair value is typically estimated using an income approach. The income approach is based on the long-term projected future cash flows. We discount the estimated cash flows to present value using a weighted average cost of capital that considers factors such as market assumptions, the timing of the cash flows and the risks inherent in those cash flows. We believe that this approach is appropriate because it provides a fair value estimate based upon the expected long-term performance considering the economic and market conditions that generally affect our business.

Fair value computed by this method is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows, comparable marketplace data and the cost of capital. There are inherent uncertainties related to these factors and to our judgment in applying them to this analysis. However, we believe that this method provides a reasonable approach to estimating the fair value of the reporting units.

Restricted Trust and Escrow Accounts

Our restricted trust and escrow accounts consist principally of funds deposited for purposes of settling landfill final capping, closure, post-closure and environmental remediation obligations. At several of our landfills, we provide financial assurance by depositing cash into restricted trust funds or escrow accounts for purposes of settling final capping, closure, post-closure and environmental remediation obligations. Balances maintained in these trust funds and escrow accounts will fluctuate based on (i) changes in statutory requirements; (ii) future deposits made to comply with contractual arrangements; (iii) the ongoing use of funds for qualifying final capping, closure, post-closure and environmental remediation activities; (iv) acquisitions or divestitures of landfills and (v) changes in the fair value of the financial instruments held in the trust fund or escrow accounts. As of December 31, 2015 and 2014, we had \$105 million and \$171 million, respectively, of restricted trust and escrow accounts, which are primarily included in "Other assets" in our Consolidated Balance Sheets. See Note 20 for additional discussion related to restricted trust and escrow accounts.

Investments in Unconsolidated Entities

Investments in unconsolidated entities over which the Company has significant influence are accounted for under the equity method of accounting. Investments in entities in which the Company does not have the ability to exert significant influence over the investees' operating and financing activities are accounted for under the cost method of accounting. The following table summarizes our equity and cost method investments as of December 31 (in millions):

	<u>2015</u>	<u>2014</u>
Equity investments	\$186	\$228
Cost investments	<u>174</u>	<u>180</u>
Investments in unconsolidated entities	<u>\$360</u>	<u>\$408</u>

We monitor and assess the carrying value of our investments throughout the year for potential impairment and write them down to their fair value when other-than-temporary declines exist. Fair value is generally based

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

on (i) other third-party investors' recent transactions in the securities; (ii) other information available regarding the current market for similar assets and/or (iii) a market or income approach as deemed appropriate.

Foreign Currency

We have operations in Canada as well as a cost center in India and investments in Hong Kong. Local currencies generally are considered the functional currencies of our operations and investments outside the United States. The assets and liabilities of our foreign operations are translated to U.S. dollars using the exchange rate at the balance sheet date. Revenues and expenses are translated to U.S. dollars using the average exchange rate during the period. The resulting translation difference is reflected as a component of comprehensive income.

Derivative Financial Instruments

We primarily use derivative financial instruments to manage our risk associated with fluctuations in interest rates and foreign currency exchange rates. In prior years, we used interest rate swaps to maintain a strategic portion of our long-term debt obligations at variable, market-driven interest rates or in anticipation of planned senior note issuances to effectively lock in a fixed interest rate for those anticipated issuances. We use foreign currency exchange rate derivatives to hedge our exposure to fluctuations in exchange rates for anticipated intercompany cash transactions between Waste Management Holdings, Inc., a wholly-owned subsidiary ("WM Holdings"), and its Canadian subsidiaries. Prior to the sale of our Wheelabrator business in December 2014, we used electricity commodity derivatives to mitigate the variability in our revenues and cash flows caused by fluctuations in the market prices for electricity. The financial statement impacts of our derivatives are discussed in Notes 8 and 14.

We obtain current valuations of our foreign currency hedging instruments from third-party pricing models. The estimated fair values of derivatives used to hedge risks fluctuate over time and should be viewed in relation to the underlying hedged transaction and the overall management of our exposure to fluctuations in the underlying risks. The fair value of derivatives is included in other current assets, other long-term assets, current accrued liabilities or other long-term liabilities, as appropriate. Any ineffectiveness present in either fair value or cash flow hedges is recognized immediately in earnings without offset. There was no significant ineffectiveness in 2015, 2014 or 2013.

- *Foreign Currency Derivatives* — Our foreign currency derivatives have been designated as cash flow hedges for accounting purposes, which results in the unrealized changes in the fair value of the derivative instruments being recorded in "Accumulated other comprehensive income" within the equity section of our Consolidated Balance Sheets. The associated balance in other comprehensive income is reclassified to earnings as the hedged cash flows affect earnings. In each of the periods presented, these derivatives have effectively mitigated the impacts of the hedged transactions, resulting in immaterial impacts to our results of operations for the periods presented.
- *Interest Rate Derivatives* — Our previously outstanding interest rate swaps associated with outstanding fixed-rate senior notes had been designated as fair value hedges for accounting purposes. Accordingly, derivative assets were accounted for as an increase in the carrying value of our underlying debt obligations and derivative liabilities were accounted for as a decrease in the carrying value of our underlying debt instruments. These fair value adjustments are deferred and recognized as an adjustment to interest expense over the remaining term of the hedged instruments. Treasury locks and forward-starting swaps executed in prior years were designated as cash flow hedges for accounting purposes. The fair value of these derivative instruments were recorded in "Accumulated other comprehensive income" within the equity section of our Consolidated Balance Sheets. The associated balance in other comprehensive income is reclassified to earnings as the hedged cash flows occur.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Insured and Self-Insured Claims

We have retained a significant portion of the risks related to our health and welfare, automobile, general liability and workers' compensation claims programs. The exposure for unpaid claims and associated expenses, including incurred but not reported losses, generally is estimated with the assistance of external actuaries and by factoring in pending claims and historical trends and data. The gross estimated liability associated with settling unpaid claims is included in "Accrued liabilities" in our Consolidated Balance Sheets if expected to be settled within one year, or otherwise is included in long-term "Other liabilities." Estimated insurance recoveries related to recorded liabilities are reflected as current "Other receivables" or long-term "Other assets" in our Consolidated Balance Sheets when we believe that the receipt of such amounts is probable.

Revenue Recognition

Our revenues are generated from the fees we charge for waste collection, transfer, disposal and recycling and resource recovery services; from the sale of electricity and landfill gas, which are byproducts of our landfill operations; and from the sale of recyclable commodities, oil and gas and organic lawn and garden products. The fees charged for our services are generally defined in our service agreements and vary based on contract-specific terms such as frequency of service, weight, volume and the general market factors influencing a region's rates. The fees we charge for our services generally include fuel surcharges, which are intended to pass through to customers increased direct and indirect costs incurred because of changes in market prices for fuel. We generally recognize revenue as services are performed or products are delivered. For example, revenue typically is recognized as waste is collected, tons are received at our landfills or transfer stations, or recycling commodities are delivered.

Tangible product revenues primarily include the sale of recyclable commodities at our material recovery facilities and through our recycling brokerage services and, to a lesser extent, sales of oil and gas, metals and organic lawn and garden products.

We bill for certain services prior to performance. Such services include, among others, certain residential contracts that are billed on a quarterly basis and equipment rentals. These advance billings are included in deferred revenues and recognized as revenue in the period service is provided.

Capitalized Interest

We capitalize interest on certain projects under development, including internal-use software and landfill expansion projects, and on certain assets under construction, including operating landfills and landfill gas-to-energy projects. During 2015, 2014 and 2013, total interest costs were \$407 million, \$487 million and \$500 million, respectively, of which \$16 million was capitalized in 2015, \$16 million was capitalized in 2014 and \$19 million was capitalized in 2013. In 2015, 2014 and 2013, interest was capitalized primarily for landfill construction costs.

Income Taxes

The Company is subject to income tax in the U.S. and Canada. Current tax obligations associated with our provision for income taxes are reflected in the accompanying Consolidated Balance Sheets as a component of "Accrued liabilities" and the deferred tax obligations are reflected in "Deferred income taxes."

Deferred income taxes are based on the difference between the financial reporting and tax basis of assets and liabilities. The deferred income tax provision represents the change during the reporting period in the

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

deferred tax assets and deferred tax liabilities, net of the effect of acquisitions and dispositions. Deferred tax assets include tax loss and credit carry-forwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. We establish reserves for uncertain tax positions when, despite our belief that our tax return positions are fully supportable, we believe that certain positions may be challenged and potentially disallowed. When facts and circumstances change, we adjust these reserves through our provision for income taxes.

Should interest and penalties be assessed by taxing authorities on any underpayment of income tax, such amounts would be accrued and classified as a component of income tax expense in our Consolidated Statements of Operations.

Contingent Liabilities

We estimate the amount of potential exposure we may have with respect to claims, assessments and litigation in accordance with U.S. Generally Accepted Accounting Principles. We are party to pending or threatened legal proceedings covering a wide range of matters in various jurisdictions. It is difficult to predict the outcome of litigation, as it is subject to many uncertainties. Additionally, it is not always possible for management to make a meaningful estimate of the potential loss or range of loss associated with such contingencies. See Note 11 for discussion of our commitments and contingencies.

Supplemental Cash Flow Information

Cash paid during the year (in millions):	Years Ended December 31,		
	2015	2014	2013
Interest, net of capitalized interest and periodic settlements from interest rate swap agreements	\$384	\$461	\$478
Income taxes	419	758	511

For the year ended December 31, 2015, non-cash investing and financing activities included \$262 million of tax-exempt bond refundings and reissuances as discussed further in Note 7. For the year ended December 31, 2013, non-cash investing and financing activities included proceeds from tax-exempt borrowings, net of principal payments made directly from trust funds, of \$99 million. During 2014 we did not have any significant non-cash investing and financing activities. Non-cash investing and financing activities are generally excluded from the Consolidated Statements of Cash Flows.

4. Landfill and Environmental Remediation Liabilities

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

	December 31, 2015			December 31, 2014		
	Landfill	Environmental Remediation	Total	Landfill	Environmental Remediation	Total
Current (in accrued liabilities)	\$ 112	\$ 31	\$ 143	\$ 104	\$ 43	\$ 147
Long-term	1,406	178	1,584	1,339	192	1,531
	<u>\$1,518</u>	<u>\$209</u>	<u>\$1,727</u>	<u>\$1,443</u>	<u>\$235</u>	<u>\$1,678</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The changes to landfill and environmental remediation liabilities for the years ended December 31, 2014 and 2015 are reflected in the table below (in millions):

	<u>Landfill</u>	<u>Environmental Remediation</u>
December 31, 2013	\$1,421	\$227
Obligations incurred and capitalized	54	—
Obligations settled	(69)	(21)
Interest accretion	88	5
Revisions in estimates and interest rate assumptions(a)(b)	(9)	25
Acquisitions, divestitures and other adjustments(c)	(42)	(1)
December 31, 2014	\$1,443	\$235
Obligations incurred and capitalized	61	—
Obligations settled	(71)	(30)
Interest accretion	89	3
Revisions in estimates and interest rate assumptions(a)(b)	(11)	5
Acquisitions, divestitures and other adjustments(c)	7	(4)
December 31, 2015	<u>\$1,518</u>	<u>\$209</u>

- (a) The amounts reported for our landfill liabilities include an increase of approximately \$2 million for 2014 and a decrease of approximately \$18 million for 2015, related to our year-end annual review of landfill final capping, closure and post-closure obligations.
- (b) The amount reported in 2014 for environmental remediation liabilities includes the impact of a decrease in the risk-free discount rate used to measure our liabilities from 3.0% at December 31, 2013 to 2.0% at December 31, 2014, resulting in an increase of \$13 million to our environmental remediation liabilities and a corresponding increase to “Operating” expenses.

The amount reported in 2015 for our environmental remediation liabilities includes the impact of an increase in the risk-free discount rate used to measure our liabilities from 2.0% at December 31, 2014 to 2.25% at December 31, 2015, resulting in a decrease of \$3 million to our environmental remediation liabilities and a corresponding decrease to “Operating” expenses.

- (c) The amounts reported for our 2014 landfill liabilities include reductions of approximately \$25 million for divestitures, including the divestiture of our Wheelabrator business.

The amounts reported for our 2015 landfill liabilities include an increase of approximately \$18 million associated with the acquisition of Deffenbaugh Disposal, Inc. (“Deffenbaugh”).

Our recorded liabilities as of December 31, 2015 include the impacts of inflating certain of these costs based on our expectations for the timing of cash settlement and of discounting certain of these costs to present value. Anticipated payments of currently identified environmental remediation liabilities as measured in current dollars are \$32 million in 2016, \$26 million in 2017, \$30 million in 2018, \$19 million in 2019, \$11 million in 2020 and \$89 million thereafter.

At several of our landfills, we provide financial assurance by depositing cash into restricted trust funds or escrow accounts for purposes of settling final capping, closure, post-closure and environmental remediation obligations. Generally, these trust funds are established to comply with statutory requirements and operating agreements. See Notes 18 and 20 for additional information related to these trusts.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Property and Equipment

Property and equipment at December 31 consisted of the following (in millions):

	<u>2015</u>	<u>2014</u>
Land	\$ 592	\$ 611
Landfills	13,772	13,463
Vehicles	4,257	4,131
Machinery and equipment	2,499	2,470
Containers	2,426	2,377
Buildings and improvements	2,546	2,588
Furniture, fixtures and office equipment	993	985
	<u>27,085</u>	<u>26,625</u>
Less accumulated depreciation on tangible property and equipment	(8,495)	(8,278)
Less accumulated landfill airspace amortization	(7,925)	(7,690)
	<u>\$10,665</u>	<u>\$10,657</u>

Depreciation and amortization expense, including amortization expense for assets recorded as capital leases, was comprised of the following for the years ended December 31 (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Depreciation of tangible property and equipment	\$ 760	\$ 834	\$ 853
Amortization of landfill airspace	409	380	400
Depreciation and amortization expense	<u>\$1,169</u>	<u>\$1,214</u>	<u>\$1,253</u>

6. Goodwill and Other Intangible Assets

Goodwill was \$5,984 million as of December 31, 2015 compared with \$5,740 million as of December 31, 2014. The \$244 million increase in goodwill during 2015 is primarily related to acquisitions, offset in part by the effect of foreign currency translation adjustments related to the goodwill associated with our Canadian operations. See Notes 19 and 21 for additional information.

As discussed more fully in Note 3, we perform our annual impairment test of our goodwill balances using a measurement date of October 1. We will also perform interim tests if an impairment indicator exists such that the fair value of a reporting unit could potentially be less than its carrying amount. We did not encounter any events or changes in circumstances that indicated that an impairment was more likely than not during interim periods in 2015, 2014 or 2013.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our other intangible assets as of December 31, 2015 and 2014 were comprised of the following (in millions):

	<u>Customer and Supplier Relationships</u>	<u>Covenants Not-to- Compete</u>	<u>Licenses, Permits and Other</u>	<u>Total</u>
December 31, 2015:				
Intangible assets	\$ 658	\$ 51	\$119	\$ 828
Less accumulated amortization	<u>(270)</u>	<u>(35)</u>	<u>(46)</u>	<u>(351)</u>
	<u>\$ 388</u>	<u>\$ 16</u>	<u>\$ 73</u>	<u>\$ 477</u>
December 31, 2014:				
Intangible assets	\$ 576	\$ 63	\$116	\$ 755
Less accumulated amortization	<u>(231)</u>	<u>(44)</u>	<u>(40)</u>	<u>(315)</u>
	<u>\$ 345</u>	<u>\$ 19</u>	<u>\$ 76</u>	<u>\$ 440</u>

Amortization expense for other intangible assets was \$76 million for 2015, \$78 million for 2014 and \$80 million for 2013. At December 31, 2015, we had \$18 million of licenses, permits and other intangible assets that are not subject to amortization, because they do not have stated expirations or have routine, administrative renewal processes. Additional information related to other intangible assets acquired through business combinations is included in Note 19. As of December 31, 2015, expected annual amortization expense related to other intangible assets is \$76 million in 2016; \$67 million in 2017; \$61 million in 2018; \$54 million in 2019 and \$47 million in 2020.

7. Debt

The following table summarizes the major components of debt at each balance sheet date (in millions) and provides the maturities and interest rate ranges of each major category as of December 31, 2015:

	<u>2015</u>	<u>2014</u>
U.S. revolving credit facility, maturing July 2020	\$ 20	\$ —
Letter of credit facilities, maturing through December 2018 ..	—	—
Canadian credit facility and term loan, maturing November 2017 (weighted average effective interest rate of 2.2% at December 31, 2015 and 2.6% at December 31, 2014)	84	232
Senior notes maturing through 2045, interest rates ranging from 2.60% to 7.75% (weighted average interest rate of 4.7% at December 31, 2015 and 5.7% at December 31, 2014)	6,082	6,273
Tax-exempt bonds maturing through 2045, fixed and variable interest rates ranging from 0.02% to 5.7% (weighted average interest rate of 1.9% at December 31, 2015 and 2.2% at December 31, 2014)	2,467	2,541
Capital leases and other, maturing through 2055, interest rates up to 12%	<u>328</u>	<u>389</u>
	\$8,981	\$9,435
Current portion of long-term debt	<u>253</u>	<u>1,090</u>
	<u>\$8,728</u>	<u>\$8,345</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Debt Classification

As of December 31, 2015, we had \$732 million of debt maturing within the next 12 months, including (i) \$500 million of 2.6% senior notes that mature in September 2016; (ii) \$146 million of tax-exempt bonds and (iii) \$20 million of borrowings outstanding under our long-term U.S. revolving credit facility (“\$2.25 billion revolving credit facility”). In addition, \$316 million of tax-exempt bonds have term interest rate periods subject to repricing within the next 12 months, which is prior to their scheduled maturities. We have classified the \$20 million of borrowings outstanding under our \$2.25 billion revolving credit facility as long-term because we intend and have the ability to refinance or maintain these borrowings on a long-term basis. Based on our intent and ability to refinance other portions of our current obligations on a long-term basis as of December 31, 2015, including through use of forecasted available capacity under our \$2.25 billion revolving credit facility, we have classified an additional \$775 million of debt as long-term. The remaining \$253 million is classified as current obligations.

As of December 31, 2015, we also had \$491 million of variable-rate tax-exempt bonds that are supported by letters of credit. The interest rates on these bonds are reset on either a daily or weekly basis through a remarketing process. All recent remarketings have successfully placed Company bonds with investors at reasonable, market-driven rates and we currently expect future remarketings to be successful. However, if the remarketing agent is unable to remarket our bonds, the remarketing agent can put the bonds to us. In the event of a failed remarketing, we have the intent and ability to use availability under our \$2.25 billion revolving credit facility to fund the debt obligations until they can be remarketed successfully. Accordingly, we classified these borrowings as long-term in our Consolidated Balance Sheet at December 31, 2015.

Access to and Utilization of Credit Facilities

\$2.25 Billion Revolving Credit Facility — In July 2015, we amended and restated our \$2.25 billion revolving credit facility, extending the term through July 2020. This facility provides us with credit capacity to be used for either cash borrowings or to support letters of credit. The rates we pay for outstanding loans are generally based on LIBOR plus a spread depending on the Company’s debt rating assigned by Moody’s Investors Service and Standard and Poor’s. The spread above LIBOR ranges from 0.805% to 1.30%. At December 31, 2015, we had \$20 million of outstanding borrowings and \$831 million of letters of credit issued and supported by the facility, leaving unused and available credit capacity of \$1,399 million.

Letter of Credit Facilities — As of December 31, 2015, we had an aggregate committed capacity of \$150 million under letter of credit facilities with terms extending through December 2018. This letter of credit capacity was fully utilized as of December 31, 2015. The financial assurance needs of our business are extensive so we supplement the letter of credit capacity we have through these committed facilities with stand-alone letters of credit with various banking partners.

Canadian Credit Facility and Term Loan — Waste Management of Canada Corporation and WM Quebec Inc., wholly-owned subsidiaries of WM, are borrowers under a Canadian credit agreement that provides C\$150 million of revolving credit capacity and initially provided C\$500 million of term credit. The credit agreement matures in November 2017. WM and WM Holdings guarantee all subsidiary obligations outstanding under the credit agreement. The rates we pay for outstanding loans under the Canadian credit agreement are generally based on the applicable Canadian Dealer Offered Rate (CDOR) plus a spread depending on the Company’s debt rating assigned by Moody’s Investors Service and Standard and Poor’s. The spread above CDOR ranges from 1.125% to 2.15%.

We have the ability to issue up to C\$50 million of letters of credit under the Canadian revolving credit facility, which if utilized, reduces the amount of credit capacity available for borrowings. As of December 31, 2015 and 2014, we had no borrowings and no letters of credit outstanding under the facility.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The C\$500 million of term credit was established specifically to fund the acquisition of substantially all of the assets of RCI and was fully drawn in July 2013. The term loan is a non-revolving loan and principal amounts repaid may not be re-borrowed. Through December 31, 2015, we had repaid C\$383 million of the term loan with available cash, reducing the outstanding balance to C\$117 million, or \$84 million. For additional information related to borrowings and principal repayments under the term loan, see below.

Debt Borrowings and Repayments

Canadian Credit Facility — We borrowed and repaid C\$15 million, or \$11 million, under the Canadian credit facility during the year ended December 31, 2015.

Canadian Term Loan — We repaid C\$153 million, or \$119 million, of the advances under our Canadian term loan during the year ended December 31, 2015 with available cash. The remaining decline in the carrying value of borrowings outstanding under our Canadian term loan is due to foreign currency translation.

Senior Notes — During 2015, we refinanced a significant portion of our high-coupon senior notes. Details related to each component of the refinancing follow:

Make-Whole Redemption — In January 2015, we repaid \$947 million of WM senior notes, which comprised all of the outstanding senior notes maturing in 2015, 2017 and 2019. The repayment of these debt balances was achieved by exercising the optional redemption provisions of the notes, which required that we pay the outstanding principal plus a make-whole premium. The “Loss on early extinguishment of debt” reflected in our Consolidated Statement of Operations for the year ended December 31, 2015 includes \$122 million of charges related to these redemptions.

Tender Offers — During 2015, WM and WM Holdings made cash tender offers to purchase any and all of certain outstanding senior notes. The series of notes targeted in the tenders and the amounts tendered of each series are summarized below:

- \$449 million of WM Holdings 7.10% senior notes due 2026, of which \$145 million were tendered;
- \$577 million of WM 7.00% senior notes due 2028, of which \$182 million were tendered;
- \$223 million of WM 7.375% senior notes due 2029, of which \$84 million were tendered;
- \$496 million of WM 7.75% senior notes due 2032, of which \$286 million were tendered; and
- \$600 million of WM 6.125% senior notes due 2039, of which \$326 million were tendered.

The “Loss on early extinguishment of debt” reflected in our Consolidated Statement of Operations for the year ended December 31, 2015 includes \$430 million of charges related to these tender offers.

New Issuance — In February 2015, WM issued \$1.8 billion of new senior notes consisting of:

- \$600 million of 3.125% senior notes due March 1, 2025;
- \$450 million of 3.90% senior notes due March 1, 2035; and
- \$750 million of 4.10% senior notes due March 1, 2045.

The net proceeds from these debt issuances were \$1.78 billion. The Company used the proceeds from the 2025 notes for general corporate purposes. The proceeds from the 2035 notes and the 2045 notes were used to pay the purchase price and accrued interest for the notes redeemed through the tender offers discussed above and for general corporate purposes.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Also affecting the change in the carrying value of our senior notes from December 31, 2014 to December 31, 2015 were decreases due to the amortization and write-off associated with fair value hedge accounting for previously terminated interest rate swap contracts, as discussed in Note 8, offset primarily by underwriting discounts related to the issuance of new senior notes in February 2015.

Tax-Exempt Bonds — During the year ended December 31, 2015, we repaid \$79 million of our tax-exempt bonds with available cash. Additionally, we elected to refund and reissue \$262 million of tax-exempt bonds and finance the related debt issuance costs and premiums totaling \$5 million. The “Loss on early extinguishment of debt” reflected in our Consolidated Statement of Operations for the year ended December 31, 2015 includes \$3 million of charges related to these refundings.

Capital Leases and Other — The decrease in our capital leases and other debt obligations is primarily related to the net repayment of various borrowings at their scheduled maturities, including a \$20 million guaranteed payment related to the acquisition of Greenstar, LLC (“Greenstar”), which is discussed further in Note 19.

Scheduled Debt Payments — Principal payments of our debt and capital leases for the next five years, based on scheduled maturities are as follows: \$730 million in 2016, \$221 million in 2017, \$792 million in 2018, \$175 million in 2019, and \$740 million in 2020. Our recorded debt and capital lease obligations include non-cash adjustments associated with discounts, premiums and fair value adjustments for interest rate hedging activities, which have been excluded from these amounts because they will not result in cash payments.

Secured Debt

Our debt balances are generally unsecured, except for capital leases and the note payable associated with our investment in low-income housing properties.

Debt Covenants

Our \$2.25 billion revolving credit facility, our Canadian credit agreement and certain other financing agreements contain financial covenants. The following table summarizes the most restrictive requirements of these financial covenants (all terms used to measure these ratios are defined by the facilities):

Interest coverage ratio	> 2.75 to 1
Total debt to EBITDA	< 3.50 to 1

Our credit facilities and senior notes also contain certain restrictions intended to monitor our level of subsidiary indebtedness, types of investments and net worth. We monitor our compliance with these restrictions, but do not believe that they significantly impact our ability to enter into investing or financing arrangements typical for our business. As of December 31, 2015 and 2014, we were in compliance with the covenants and restrictions under all of our debt agreements that may have a material effect on our Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Derivative Instruments and Hedging Activities

Cash Flow Hedges

Foreign Currency Derivatives

We use foreign currency exchange rate derivatives to hedge our exposure to fluctuations in exchange rates for anticipated intercompany cash transactions between WM Holdings and its Canadian subsidiaries. As of December 31, 2015 and 2014, we had foreign exchange cross currency swaps outstanding for all of the anticipated cash flows associated with intercompany loans from WM Holdings to its wholly-owned Canadian subsidiaries. Our Consolidated Balance Sheets include \$15 million of current other assets at December 31, 2015 and \$63 million and \$28 million of long-term other assets at December 31, 2015 and 2014, respectively, related to foreign currency derivatives. We designated these cross currency swaps as cash flow hedges. The hedged cash flows as of December 31, 2015 and 2014 included C\$370 million of total notional value. The scheduled principal payments of the loan and the related swaps are as follows: C\$70 million due in October 2016, C\$150 million due in October 2017 and C\$150 million due in October 2018.

Gains or losses resulting from the remeasurement of the underlying non-functional currency intercompany loans are recognized in current earnings in the same financial statement line item as offsetting gains or losses on the related cross currency swaps. We have not offset fair value amounts recognized for our derivative instruments. For information related to the inputs used to measure our derivative assets and liabilities at fair value, refer to Note 18.

Forward-Starting Interest Rate Swaps

During the first quarter of 2014, forward-starting interest rate swaps with a notional value of \$175 million matured and we paid cash of \$36 million to settle the associated liabilities. These swaps were designated as cash flow hedges and had been executed in prior years to hedge the risk of changes in semi-annual interest payments due to fluctuations in the forward ten-year LIBOR swap rate for a debt issuance initially forecasted for March 2014, but which occurred in May 2014. Accordingly, the loss associated with the matured forward-starting swaps was deferred as a component of “Accumulated other comprehensive income” and is being amortized to interest expense over the term of the May 2014 debt issuance. Ineffectiveness associated with the change in timing of the debt issuance was not material.

At December 31, 2015 and 2014, our “Accumulated other comprehensive income” included \$43 million and \$50 million, respectively, of after-tax deferred losses related to all previously terminated swaps, which are being amortized as an increase to interest expense over the ten-year term of the related senior note issuances using the effective interest method. As of December 31, 2015, \$11 million of the deferred losses for these previously terminated swaps (on a pre-tax basis) is scheduled to be reclassified as an increase to interest expense over the next 12 months.

As discussed in Note 7, during 2015, the Company elected to redeem or tender certain senior notes. As a result, \$3 million of deferred losses for previously terminated swaps were recorded as interest expense in the Consolidated Statement of Operations.

There was no significant ineffectiveness associated with our cash flow hedges during the years ended December 31, 2015, 2014 or 2013. Refer to Note 14 for information regarding the impacts of our cash flow derivatives on our comprehensive income and results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Hedges

Interest Rate Swaps

We did not have any interest rate swaps outstanding during the reported periods. However, in prior years, we entered into interest rate swaps to maintain a portion of our debt obligations at variable market interest rates and designated these interest rate swaps as fair value hedges of our fixed-rate senior notes. Fair value hedge accounting for interest rate swap contracts increased the carrying value of our debt instruments by \$23 million as of December 31, 2015 and \$45 million as of December 31, 2014. The significant decrease in the fair value adjustment during the year ended December 31, 2015 is primarily due to accounting for the impact of our senior note redemption discussed in Note 7. During the year ended December 31, 2015, the redemption and tender of certain senior notes prior to their scheduled maturity dates resulted in the write-off of related fair value adjustments for terminated interest rate swaps as a \$14 million credit to the “Loss on early extinguishment of debt” within our Consolidated Statement of Operations. The remaining fair value adjustments to long-term debt are being amortized as a reduction to interest expense using the effective interest method over the remaining term of the related senior notes, which extend through 2028. We recognized benefits to interest expense associated with the amortization of our terminated interest rate swaps of \$8 million, \$14 million and \$20 million for the years ended December 31, 2015, 2014 and 2013, respectively.

9. Income Taxes

Provision for Income Taxes

Our “Provision for income taxes” consisted of the following (in millions):

	Years Ended December 31,		
	2015	2014	2013
Current:			
Federal	\$192	\$ 414	\$ 389
State	50	61	79
Foreign	36	56	45
	<u>278</u>	<u>531</u>	<u>513</u>
Deferred:			
Federal	43	(89)	(82)
State	(17)	(33)	(14)
Foreign	4	4	(53)
	<u>30</u>	<u>(118)</u>	<u>(149)</u>
Provision for income taxes	<u>\$308</u>	<u>\$ 413</u>	<u>\$ 364</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The U.S. federal statutory income tax rate is reconciled to the effective income tax rate as follows:

	Years Ended December 31,		
	2015	2014	2013
Income tax expense at U.S. federal statutory rate	35.00%	35.00%	35.00%
Federal tax credits	(5.49)	(3.21)	(11.74)
Taxing authority audit settlements and other tax adjustments . . .	(2.67)	(1.59)	(3.56)
Noncontrolling interests	0.04	(0.81)	(2.28)
State and local income taxes, net of federal income tax benefit	3.20	1.77	9.81
Tax rate differential on foreign income	(0.99)	(0.46)	1.63
Tax impact of impairments	0.23	0.46	41.95
Tax impact of divestitures	(0.34)	(7.89)	—
Other	0.13	0.34	2.94
Provision for income taxes	<u>29.11%</u>	<u>23.61%</u>	<u>73.75%</u>

The comparability of our provision for income taxes for the reported periods has been primarily affected by (i) variations in our income before income taxes; (ii) federal tax credits; (iii) adjustments to our accruals and related deferred taxes; (iv) the realization of state net operating losses and credits; (v) tax audit settlements and (vi) the tax implications of divestitures and impairments.

For financial reporting purposes, income (loss) before income taxes by source was as follows (in millions):

	Years Ended December 31,		
	2015	2014	2013
Domestic	\$ 922	\$1,601	\$548
Foreign	138	150	(54)
Income before income taxes	<u>\$1,060</u>	<u>\$1,751</u>	<u>\$494</u>

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

We account for our investment in this entity using the equity method of accounting, recognizing our share of the entity's results of operations and other reductions in the value of our investment in "Equity in net losses of unconsolidated entities," within our Consolidated Statement of Operations. We recognized \$7 million, \$7 million and \$8 million of net losses resulting from our share of the entity's operating losses during the years ended December 31, 2015, 2014 and 2013, respectively. Our tax provision was reduced by \$23 million, \$21 million and \$20 million for the years ended December 31, 2015, 2014 and 2013, respectively, primarily as a result of federal tax credits realized from this investment. See Note 20 for additional information related to this investment.

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

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We account for our investment in this entity using the equity method of accounting, recognizing our share of the entity's results of operations and other reductions in the value of our investment in "Equity in net losses of unconsolidated entities," within our Consolidated Statement of Operations. The value of our investment decreases as the tax credits are generated and utilized. During the years ended December 31, 2015, 2014 and 2013, we recognized \$23 million, \$25 million and \$25 million, respectively, of net losses relating to our equity investment in this entity, \$4 million, \$5 million and \$6 million, respectively, of interest expense, and a reduction in our tax provision of \$34 million (including \$23 million of federal tax credits), \$37 million (including \$25 million of federal tax credits) and \$38 million (including \$26 million of federal tax credits), respectively. See Note 20 for additional information related to this investment.

Other Federal Tax Credits — During 2015, 2014 and 2013, we recognized federal tax credits in addition to the tax credits realized from our investments in the refined coal facility and low-income housing properties, resulting in a reduction to our provision for income taxes of \$15 million, \$13 million and \$13 million, respectively.

Adjustments to Accruals and Related Deferred Taxes — Adjustments to our accruals and related deferred taxes due to the filing of our income tax returns and changes in state law resulted in a reduction of \$18 million, a reduction of \$24 million and an increase of \$4 million to our provision for income taxes for the years ended December 31, 2015, 2014 and 2013, respectively.

State Net Operating Losses and Credits — During 2015, 2014 and 2013, we recognized state net operating losses and credits resulting in a reduction to our provision for income taxes of \$17 million, \$16 million and \$16 million, respectively.

Tax Audit Settlements — We file income tax returns in the United States and Canada as well as various state and local jurisdictions. We are currently under audit by the IRS, Canada Revenue Agency and various state and local taxing authorities. Our audits are in various stages of completion.

During 2015, 2014 and 2013 we settled various tax audits. The settlement of these tax audits resulted in a reduction to our provision for income taxes of \$10 million, \$12 million and \$11 million for the years ended December 31, 2015, 2014 and 2013, respectively.

We participate in the IRS's Compliance Assurance Process, which means we work with the IRS throughout the year in order to resolve any material issues prior to the filing of our annual tax return. We are currently in the examination phase of IRS audits for the tax years 2014, 2015 and 2016 and expect these audits to be completed within the next three, 15 and 27 months, respectively. We are also currently undergoing audits by various state and local jurisdictions for tax years that date back to 2009, with the exception of affirmative claims in a limited number of jurisdictions that date back to 2000. We are also under audit in Canada for the tax years 2012 and 2013. We acquired Deffenbaugh, which is subject to potential IRS examination for the years 2012 through the date of acquisition in 2015.

Tax Implications of Divestitures — During 2014, the Company recorded a net gain of \$515 million primarily related to the divestiture of our Wheelabrator business, our Puerto Rico operations and certain landfill and collection operations in our Eastern Canada Area. Had this net gain been fully taxable, our provision for income taxes would have increased by \$138 million. During 2015, the Company recorded an additional \$10 million net gain primarily related to post-closing adjustments on the Wheelabrator divestiture. Had this gain been fully taxable, our provision for income taxes would have increased by \$4 million. See Note 19 for more information related to divestitures.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Tax Implications of Impairments — A portion of the impairment charges recognized are not deductible for tax purposes. Had the charges been fully deductible, our provision for income taxes would have been reduced by \$2 million, \$8 million and \$235 million for the years ended December 31, 2015, 2014 and 2013, respectively. See Note 13 for more information related to asset impairments and unusual items.

Unremitted Earnings in Foreign Subsidiaries — At December 31, 2015, remaining unremitted earnings in foreign operations were approximately \$825 million, which are considered permanently invested and, therefore, no provision for U.S. income taxes were accrued for these unremitted earnings. Determination of the unrecognized deferred U.S. income tax liability is not practicable due to uncertainties related to the timing and source of any potential distribution of such funds, along with other important factors such as the amount of associated foreign tax credits.

Deferred Tax Assets (Liabilities)

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

	December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss, capital loss and tax credit carry-forwards	\$ 280	\$ 297
Landfill and environmental remediation liabilities	120	53
Miscellaneous and other reserves, net	373	380
Subtotal	773	730
Valuation allowance	(273)	(300)
Deferred tax liabilities:		
Property and equipment	(709)	(673)
Goodwill and other intangibles	(1,182)	(1,095)
Net deferred tax liabilities	<u>\$(1,391)</u>	<u>\$(1,338)</u>

The valuation allowance decreased by \$27 million in 2015 primarily due to changes in our capital loss and state NOL carry-forwards, as well as the tax impacts of impairments.

At December 31, 2015, we had \$47 million of federal NOL carry-forwards and \$1.8 billion of state NOL carry-forwards. The federal and state NOL carry-forwards have expiration dates through the year 2035. We also have \$423 million of federal capital loss carry-forwards which expire in 2019. In addition, we have \$32 million of state tax credit carry-forwards at December 31, 2015.

We have established valuation allowances for uncertainties in realizing the benefit of certain tax loss and credit carry-forwards and other deferred tax assets. While we expect to realize the deferred tax assets, net of the valuation allowances, changes in estimates of future taxable income or in tax laws may alter this expectation.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Liabilities for Uncertain Tax Positions

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits, including accrued interest is as follows (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Balance at January 1	\$42	\$ 49	\$ 54
Additions based on tax positions related to the current year ...	18	9	6
Additions based on tax positions of prior years	21	2	—
Accrued interest	2	1	2
Reductions for tax positions of prior years	(1)	—	(7)
Settlements	(3)	(11)	(1)
Lapse of statute of limitations	(8)	(8)	(5)
Balance at December 31	<u>\$71</u>	<u>\$ 42</u>	<u>\$ 49</u>

These liabilities are included as a component of long-term “Other liabilities” in our Consolidated Balance Sheets because the Company does not anticipate that settlement of the liabilities will require payment of cash within the next 12 months. As of December 31, 2015, \$57 million of net unrecognized tax benefits, if recognized in future periods, would impact our effective tax rate.

We recognize interest expense related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2015, 2014 and 2013, we recognized \$2 million, \$1 million and \$2 million, respectively, of such interest expense as a component of our provisions for income taxes. We had \$3 million of accrued interest expense in our Consolidated Balance Sheets as of both December 31, 2015 and 2014. We did not have any accrued liabilities or expense for penalties related to unrecognized tax benefits for the years ended December 31, 2015, 2014 and 2013.

We are not able to reasonably estimate when we might make any cash payments required to settle these liabilities, but we do not believe that the ultimate settlement of our obligations will materially affect our liquidity. As of December 31, 2015 we anticipate that approximately \$36 million of liabilities for unrecognized tax benefits, including accrued interest, and \$5 million of related tax assets may be reversed within the next 12 months. The anticipated reversals primarily relate to the deductibility and exclusion from gross income of certain federal tax items and other miscellaneous state tax items, each of which is individually insignificant. The recognition of the unrecognized tax benefits is expected to result from the filing of our tax returns, audit settlements or the expiration of the applicable statute of limitations period.

Bonus Depreciation

The Protecting Americans from Tax Hikes Act of 2015 was signed into law on December 18, 2015 and included an extension for five years of the bonus depreciation allowance. As a result, 50% of qualifying capital expenditures on property placed in service before January 1, 2016 were depreciated immediately. The acceleration of deductions on 2015 qualifying capital expenditures resulting from the bonus depreciation provisions had no impact on our effective income tax rate for 2015 although it will reduce our cash taxes. This reduction will be offset by increased cash taxes in subsequent periods when the deductions related to the capital expenditures would have otherwise been taken.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

10. Employee Benefit Plans

Defined Contribution Plans — Waste Management sponsors a 401(k) retirement savings plan that covers employees, except those working subject to collective bargaining agreements that do not allow for coverage under that plan. United States employees who are not subject to such collective bargaining agreements are generally eligible to participate in the plan following a 90-day waiting period after hire and may contribute as much as 25% of their annual compensation, subject to annual contribution limitations established by the IRS. Under the retirement savings plan, we match non-union employee contributions, in cash, 100% of employee contributions on the first 3% of their eligible compensation and 50% of employee contributions on the next 3% of their eligible compensation, resulting in a maximum match of 4.5% of eligible compensation. Both employee and Company contributions vest immediately. Certain United States employees who are subject to collective bargaining agreements may participate in the 401(k) retirement savings plan under terms specified in their collective bargaining agreement. Certain employees outside the United States, including those in Canada, participate in defined contribution plans maintained by the Company in compliance with laws of the appropriate jurisdiction. Charges to “Operating” and “Selling, general and administrative” expenses for our defined contribution plans were \$61 million, \$63 million and \$63 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Defined Benefit Plans (other than multiemployer defined benefit plans discussed below) — Our accrued benefit liabilities for our defined benefit pension and other post-retirement plans were \$56 million as of December 31, 2015 and are included as components of “Accrued liabilities” and long-term “Other liabilities” in our Consolidated Balance Sheet.

Waste Management Holdings, Inc. sponsors a defined benefit plan for certain employees who are subject to collective bargaining agreements that provide for participation in that plan. Further, qualifying Canadian employees participate in defined benefit plans sponsored by certain of our Canadian subsidiaries. As of December 31, 2015, the combined benefit obligation of these pension plans was \$116 million, and the plans had \$88 million of plan assets, resulting in an unfunded benefit obligation for these plans of \$28 million.

In addition, WM Holdings and certain of its subsidiaries provided post-retirement health care and other benefits to eligible retirees. In conjunction with our acquisition of WM Holdings in July 1998, we limited participation in these plans to participating retirees as of December 31, 1998. The unfunded benefit obligation for these plans was \$28 million at December 31, 2015.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Multiemployer Defined Benefit Pension Plans — We are a participating employer in a number of trustee-managed multiemployer, defined benefit pension plans for employees who are covered by collective bargaining agreements. The risks of participating in these multiemployer plans are different from single-employer plans in that (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees or former employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be assumed by the remaining participating employers and (iii) if we choose to stop participating in any of our multiemployer plans, we may be required to pay those plans a withdrawal amount based on the underfunded status of the plan. The following table outlines our participation in multiemployer plans considered to be individually significant (dollar amounts in millions):

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Reported Status(a)		FIP/RP Status(b),(c)	Company Contributions(d)			Expiration Date of Collective Bargaining Agreement(s)
		2015	2014		2015	2014	2013	
Automotive Industries Pension Plan	EIN: 94-1133245; Plan Number: 001	Critical	Critical	Implemented	\$ 1	\$ 1	\$ 1	Various dates through 6/30/2018
Local 731 Private Scavengers and Garage Attendants Pension Trust Fund	EIN: 36-6513567; Plan Number: 001	Endangered as of 9/30/2014	Endangered as of 9/30/2013	Implemented	7	6	6	9/30/2018
Suburban Teamsters of Northern Illinois Pension Plan	EIN: 36-6155778; Plan Number: 001	Critical	Critical	Implemented	2	3	2	Various dates through 9/30/2017
Teamsters Local 301 Pension Plan	EIN: 36-6492992; Plan Number: 001	Not Endangered or Critical	Not Endangered or Critical	Not Applicable	1	1	1	9/30/2018
Western Conference of Teamsters Pension Plan	EIN: 91-6145047; Plan Number: 001	Not Endangered or Critical	Not Endangered or Critical	Not Applicable	24	24	22	Various dates through 12/31/2019
Western Pennsylvania Teamsters and Employers Pension Plan	EIN: 25-6029946; Plan Number: 001	Critical	Critical	Implemented	1	1	1	12/31/2016
					<u>\$36</u>	<u>\$36</u>	<u>\$33</u>	
Contributions to other multiemployer pension plans					<u>7</u>	<u>8</u>	<u>7</u>	
Total contributions to multiemployer pension plans(e)					<u>\$43</u>	<u>\$44</u>	<u>\$40</u>	

- (a) Unless otherwise noted in the table, the most recent Pension Protection Act zone status available in 2015 and 2014 is for the plan's year-end at December 31, 2014 and 2013, respectively. The zone status is based on information that we received from the plan and is certified by the plan's actuary. As defined in the Pension Protection Act of 2006, among other factors, plans reported as critical are generally less than 65% funded and plans reported as endangered are generally less than 80% funded.
- (b) The "FIP/RP Status" column indicates plans for which a Funding Improvement Plan ("FIP") or a Rehabilitation Plan ("RP") is either pending or has been implemented.
- (c) A multiemployer defined benefit pension plan that has been certified as endangered, seriously endangered or critical may begin to levy a statutory surcharge on contribution rates. Once authorized, the surcharge is at the rate of 5% for the first 12 months and 10% for any periods thereafter. Contributing employers, however, may eliminate the surcharge by entering into a collective bargaining agreement that meets the requirements of the applicable FIP or RP.
- (d) The Company was listed in the Form 5500 of the multiemployer plans considered to be individually significant as providing more than 5% of the total contributions for each of the following plans and plan years:

	Year Contributions to Plan Exceeded 5% of Total Contributions (as of Plan's Year End)
Local 731 Private Scavengers and Garage Attendants Pension Trust Fund	9/30/2014 and 9/30/2013
Suburban Teamsters of Northern Illinois Pension Plan	12/31/2014 and 12/31/2013
Teamsters Local 301 Pension Plan	12/31/2014 and 12/31/2013

- (e) Total contributions to multiemployer pension plans excludes contributions related to withdrawal liabilities discussed below.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At the date the financial statements were issued, Forms 5500 were not available for the plan years ended in 2015.

Our portion of the projected benefit obligation, plan assets and unfunded liability of the multiemployer pension plans is not material to our financial position. However, the failure of participating employers to remain solvent could affect our portion of the plans' unfunded liability. Specific benefit levels provided by union pension plans are not negotiated with or known by the employer contributors.

In connection with our ongoing renegotiations of various collective bargaining agreements, we may discuss and negotiate for the complete or partial withdrawal from one or more of these pension plans. Further, business events, such as the discontinuation or nonrenewal of a customer contract, the decertification of a union, or relocation, reduction or discontinuance of certain operations, which result in the decline of Company contributions to a multiemployer pension plan could trigger a partial or complete withdrawal. In the event of a withdrawal, we may incur expenses associated with our obligations for unfunded vested benefits at the time of the withdrawal. In 2015, 2014 and 2013, we recognized aggregate charges of \$51 million, \$4 million and \$5 million, respectively, to "Operating" expenses for the withdrawal of certain bargaining units from multiemployer pension plans. Refer to Note 11 for additional information related to our obligations to multiemployer plans for which we have withdrawn or partially withdrawn.

Multiemployer Plan Benefits Other Than Pensions — During the years ended December 31, 2015, 2014 and 2013 the Company made contributions of \$33 million, \$34 million and \$34 million, respectively, to multiemployer health and welfare plans that also provide other postretirement employee benefits. Funding of benefit payments for plan participants are made at rates as negotiated in the respective collective bargaining agreements as costs are incurred.

11. Commitments and Contingencies

Financial Instruments — We have obtained letters of credit, surety bonds and insurance policies and have established trust funds and issued financial guarantees to support tax-exempt bonds, contracts, performance of landfill final capping, closure and post-closure requirements, environmental remediation and other obligations. Letters of credit generally are supported by our \$2.25 billion revolving credit facility and other credit facilities established for that purpose. These facilities are discussed further in Note 7. Surety bonds and insurance policies are supported by (i) a diverse group of third-party surety and insurance companies; (ii) an entity in which we have a noncontrolling financial interest or (iii) wholly-owned insurance companies, the sole business of which is to issue surety bonds and/or insurance policies on our behalf.

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

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

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We have retained a significant portion of the risks related to our automobile, general liability and workers' compensation claims programs. "General liability" refers to the self-insured portion of specific third party claims made against us that may be covered under our commercial General Liability Insurance Policy. For our self-insured retentions, the exposure for unpaid claims and associated expenses, including incurred but not reported losses, is based on an actuarial valuation and internal estimates. The accruals for these liabilities could be revised if future occurrences or loss development significantly differ from our assumptions used. As of December 31, 2015, our commercial General Liability Insurance Policy carried self-insurance exposures of up to \$2.5 million per incident and our workers' compensation insurance program carried self-insurance exposures of up to \$5 million per incident. As of December 31, 2015, our auto liability insurance program included a per-incident base deductible of \$5 million, subject to additional deductibles of \$4.8 million in the \$5 million to \$10 million layer. The changes to our net insurance liabilities for the three years ended December 31, 2015 are summarized below (in millions):

	Gross Claims Liability	Receivables Associated with Insured Claims(a)	Net Claims Liability
Balance, December 31, 2012	\$ 569	\$(202)	\$ 367
Self-insurance expense (benefit)	177	(5)	172
Cash (paid) received	(156)	10	(146)
Balance, December 31, 2013	590	(197)	393
Self-insurance expense (benefit)	168	(9)	159
Cash (paid) received	(161)	23	(138)
Balance, December 31, 2014	597	(183)	414
Self-insurance expense (benefit)	202	(39)	163
Cash (paid) received	(156)	4	(152)
Balance, December 31, 2015(b)	<u>\$ 643</u>	<u>\$(218)</u>	<u>\$ 425</u>
Current portion at December 31, 2015	\$ 141	\$ (20)	\$ 121
Long-term portion at December 31, 2015	\$ 502	\$(198)	\$ 304

(a) Amounts reported as receivables associated with insured claims are related to both paid and unpaid claims liabilities.

(b) We currently expect substantially all of our net claims liability to be settled in cash over the next five years.

The Directors' and Officers' Liability Insurance policy we choose to maintain covers only individual executive liability, often referred to as "Broad Form Side A," and does not provide corporate reimbursement coverage, often referred to as "Side B." The Side A policy covers directors and officers directly for loss, including defense costs, when corporate indemnification is unavailable. Side A-only coverage cannot be exhausted by payments to the Company, as the Company is not insured for any money it advances for defense costs or pays as indemnity to the insured directors and officers.

We do not expect the impact of any known casualty, property, environmental or other contingency to have a material impact on our financial condition, results of operations or cash flows.

Operating Leases — Rental expense for leased properties was \$140 million during 2015, \$159 million during 2014 and \$170 million during 2013. Minimum contractual payments due for our operating lease obligations are \$89 million in 2016, \$77 million in 2017, \$61 million in 2018, \$51 million in 2019, \$42 million in 2020 and \$281 million thereafter. Our minimum contractual payments for lease agreements during future periods is less than current year rent expense due to short-term leases.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Commitments

- *Disposal* — We have several agreements expiring at various dates through 2052 that require us to dispose of a minimum number of tons at third-party disposal facilities. Under these put-or-pay agreements, we are required to pay for the agreed upon minimum volumes regardless of the actual number of tons placed at the facilities. Additionally, following the sale of our Wheelabrator business, we entered into several agreements to dispose of a minimum number of tons of waste at certain Wheelabrator facilities. These agreements generally provide for fixed volume commitments with certain market price resets through 2021. We generally fulfill our minimum contractual obligations by disposing of volumes collected in the ordinary course of business at these disposal facilities.
- *Waste Paper* — We are party to waste paper purchase agreements expiring at various dates through 2018 that require us to purchase a minimum number of tons of waste paper. The cost per ton we pay is based on market prices.
- *Royalties* — We have various arrangements that require us to make royalty payments to third parties including prior land owners, lessors or host communities where our operations are located. Our obligations generally are based on per ton rates for waste actually received at our transfer stations or landfills. Royalty agreements that are non-cancelable and require fixed or minimum payments are included in our “Capital leases and other” debt obligations in our Consolidated Balance Sheet as disclosed in Note 7.

Our unconditional purchase obligations are generally established in the ordinary course of our business and are structured in a manner that provides us with access to important resources at competitive, market-driven rates. We may also establish unconditional purchase obligations in conjunction with acquisitions or divestitures. Our actual future minimum obligations under these outstanding purchase agreements are generally quantity driven and, as a result, our associated financial obligations are not fixed as of December 31, 2015. For contracts that require us to purchase minimum quantities of goods or services, we have estimated our future minimum obligations based on the current market values of the underlying products or services. As of December 31, 2015, our estimated minimum obligations for the above-described purchase obligations, which are not recognized in our Consolidated Balance Sheet, were \$184 million in 2016, \$164 million in 2017, \$126 million in 2018, \$100 million in 2019, \$86 million in 2020 and \$424 million thereafter. We currently expect the products and services provided by these agreements to continue to meet the needs of our ongoing operations. Therefore, we do not expect these established arrangements to materially impact our future financial position, results of operations or cash flows.

Guarantees — We have entered into the following guarantee agreements associated with our operations:

- As of December 31, 2015, WM Holdings has fully and unconditionally guaranteed all of WM’s senior indebtedness, including its senior notes, \$2.25 billion revolving credit agreement and certain letter of credit facilities, which mature through 2045. WM has fully and unconditionally guaranteed the senior indebtedness of WM Holdings, which matures in 2026. Performance under these guarantee agreements would be required if either party defaulted on their respective obligations. No additional liabilities have been recorded for these guarantees because the underlying obligations are reflected in our Consolidated Balance Sheets. See Note 23 for further information.
- WM and WM Holdings have guaranteed subsidiary debt obligations, including the Canadian credit facility and term loan, tax-exempt bonds, capital leases and other indebtedness. If a subsidiary fails to meet its obligations associated with its debt agreements as they come due, WM or WM Holdings will be required to perform under the related guarantee agreement. No additional liabilities have been recorded for these guarantees because the underlying obligations are reflected in our Consolidated Balance Sheets. See Note 7 for information related to the balances and maturities of these debt obligations.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Before the divestiture of our Wheelabrator business, WM had guaranteed certain operational and financial performance obligations of Wheelabrator and its subsidiaries in the ordinary course of business. In conjunction with the divestiture, certain WM guarantees of Wheelabrator obligations were terminated, but others continued and are now guarantees of third-party obligations. Wheelabrator is working with the various third-party beneficiaries to release WM from these guarantees, but until they are successful, WM has agreed to retain the guarantees and, in exchange, receive a credit support fee. The most significant of these guarantees specifically define WM's maximum financial obligation over the course of the relevant agreements, and as of December 31, 2015, WM's maximum future payments associated with those guarantees are \$106 million. WM's exposure under certain of the performance guarantees is variable and a maximum exposure is not defined. We have recorded the fair value of the financial and performance guarantees, some of which could extend through 2038 if not sooner terminated, in our December 31, 2015 Consolidated Balance Sheet. The estimated fair value of WM's potential obligation associated with guarantees of Wheelabrator obligations (net of the credit support fee) at December 31, 2015 and 2014 was \$13 million and \$18 million, respectively. We currently do not expect the financial impact of such performance and financial guarantees to materially exceed the recorded fair value.
- We have guaranteed certain financial obligations of unconsolidated entities. The related obligations, which mature through 2020, are not recorded on our Consolidated Balance Sheets. As of December 31, 2015, our maximum future payments associated with these guarantees are approximately \$7 million. Any requirement to act under these guarantees would not materially impact our financial position, results of operations or cash flows.
- Certain of our subsidiaries have guaranteed the market or contractually-determined value of certain homeowners' properties that are adjacent to certain of our landfills. These guarantee agreements extend over the life of the respective landfill. Under these agreements, we would be responsible for the difference, if any, between the sale value and the guaranteed market or contractually-determined value of the homeowners' properties. As of December 31, 2015, we have agreements guaranteeing certain market value losses for approximately 850 homeowners' properties adjacent to or near 21 of our landfills. We do not believe that these contingent obligations will have a material effect on our financial position, results of operations or cash flows.
- We have indemnified the purchasers of businesses or divested assets for the occurrence of specified events under certain of our divestiture agreements. Other than certain identified items that are currently recorded as obligations, we do not believe that it is possible to determine the contingent obligations associated with these indemnities. Additionally, under certain of our acquisition agreements, we have provided for additional consideration to be paid to the sellers if established financial targets or other market conditions are achieved post-closing and we have recognized liabilities for these contingent obligations based on an estimate of the fair value of these contingencies at the time of acquisition. We do not currently believe that contingent obligations to provide indemnification or pay additional post-closing consideration in connection with our divestitures or acquisitions will have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.
- WM and WM Holdings guarantee the service, lease, financial and general operating obligations of certain of their subsidiaries. If such a subsidiary fails to meet its contractual obligations as they come due, the guarantor has an unconditional obligation to perform on its behalf. No additional liability has been recorded for service, financial or general operating guarantees because the subsidiaries' obligations are properly accounted for as costs of operations as services are provided or general operating obligations as incurred. No additional liability has been recorded for the lease guarantees because the subsidiaries' obligations are properly accounted for as operating or capital leases, as appropriate.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

As of December 31, 2015, we had been notified by the government that we are a PRP in connection with 76 locations listed on the EPA's Superfund National Priorities List, or NPL. Of the 76 sites at which claims have been made against us, 15 are sites we own. Each of the NPL sites we own was initially developed by others as a landfill disposal facility. At each of these facilities, we are working in conjunction with the government to evaluate or remediate identified site problems, and we have either agreed with other legally liable parties on an arrangement for sharing the costs of remediation or are working toward a cost-sharing agreement. We generally expect to receive any amounts due from other participating parties at or near the time that we make the remedial expenditures. The other 61 NPL sites, which we do not own, are at various procedural stages under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, known as CERCLA or Superfund.

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

Item 103 of the SEC's Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings, or such proceedings are known to be contemplated, unless we reasonably believe that the matter will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. The following matters are disclosed in accordance with that requirement.

On December 18, 2015, the Pennsylvania Department of Environmental Protection ("DEP") and Waste Management of Pennsylvania, Inc. agreed in principal to a consent assessment of civil penalty of \$190,000 relating to alleged odors from the Tullytown Resource Recovery Facility occurring between June 1, 2015 and December 31, 2015. We expect the consent assessment of civil penalty to be finalized and the payment to be made in the first quarter of 2016.

On July 10, 2015, Waste Management of Hawaii, Inc. ("WMHI") entered a plea resolving the April 30, 2014 indictment against WMHI in connection with water discharges at the Waimanalo Gulch Sanitary Landfill, which WMHI operates for the city and county of Honolulu, following three major rainstorms in December 2010 and January 2011. WMHI may face civil claims from the Hawaii Department of Health or the EPA based on the same underlying events, but we do not anticipate such claims could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Litigation — On March 26, 2015, the Company acquired Deffenbaugh. In May 2012 and December 2013, Deffenbaugh was named as a defendant in purported class actions filed in the United States District Court for the District of Kansas. These cases pertained to fuel, environmental and base rate charges included on invoices, generally alleging that such charges were not properly disclosed, were unfair or were contrary to the customer service contracts. We have agreed on settlement terms for both cases. We submitted a request for preliminary court approval during the fourth quarter of 2015 and are awaiting action on our request. The anticipated settlements will not have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

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

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

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

Multiemployer Defined Benefit Pension Plans — About 20% of our workforce is covered by collective bargaining agreements with various union locals across the United States and Canada. As a result of some of these agreements, certain of our subsidiaries are participating employers in a number of trustee-managed

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

multiemployer defined benefit pension plans for the covered employees. Refer to Note 10 for additional information about our participation in multiemployer defined benefit pension plans considered individually significant. In connection with our ongoing renegotiation of various collective bargaining agreements, we may discuss and negotiate for the complete or partial withdrawal from one or more of these pension plans. A complete or partial withdrawal from a multiemployer pension plan may also occur if employees covered by a collective bargaining agreement vote to decertify a union from continuing to represent them. Any other circumstance resulting in a decline in Company contributions to a multiemployer defined benefit pension plan through a reduction in the labor force, whether through attrition over time or through a business event (such as the discontinuation or nonrenewal of a customer contract, the decertification of a union, or relocation, reduction or discontinuance of certain operations) may also trigger a complete or partial withdrawal from one or more of these pension plans.

One of the most significant multiemployer pension plans in which we have participated is the Central States, Southeast and Southwest Areas Pension Plan (“Central States Pension Plan”). In 2008, we reached agreement with all of the unions involved to cease participation in the Central States Pension Plan. Since that time, litigation with the Central States Pension Plan had been pending over several matters, including the effective date that our contribution obligations ceased. In the third quarter of 2015, we settled and paid all amounts due for all pending litigation with the trustees for the Central States Pension Plan regarding liability for contributions to the plan and withdrawal liability resulting from the cessation of contributions. Similarly, in the fourth quarter of 2015, we settled and paid all amounts due for outstanding issues regarding plan contributions and withdrawal liability with the Teamsters Employers Local 945 Pension Fund.

In 2015, we recognized a \$51 million charge to “Operating” expenses associated with withdrawal from certain underfunded multiemployer pension plans, nearly all of which was associated with the Central States Pension Plan and the Teamsters Employers Local 945 Pension Fund withdrawals discussed above. We do not believe any additional liability above the charges we have already recognized for previous withdrawals could be material to the Company’s business, financial condition, liquidity, results of operations or cash flows. Similarly, we also do not believe that any future withdrawals, individually or in the aggregate, from the multiemployer pension plans to which we contribute, could have a material adverse effect on our business, financial condition or liquidity. However, such withdrawals could have a material adverse effect on our results of operations or cash flows for a particular reporting period, depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer pension plan(s) at the time of such withdrawal(s).

Tax Matters — We maintain a liability for uncertain tax positions, the balance of which management believes is adequate. Results of audit assessments by taxing authorities are not currently expected to have a material adverse impact on our results of operations or cash flows. See Note 9 for additional discussion regarding tax matters.

12. Restructuring

The following table summarizes pre-tax restructuring charges, including employee severance and benefit costs and other charges, for the years ended December 31 for the respective periods (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Solid Waste	\$ 14	\$10	\$ 7
Wheelabrator	—	1	1
Corporate and Other	1	71	10
	<u>\$ 15</u>	<u>\$82</u>	<u>\$18</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During the year ended December 31, 2015, we recognized \$15 million of pre-tax restructuring charges, of which \$10 million was related to employee severance and benefit costs, including costs associated with the loss of a municipal contract in our Eastern Canada Area and our acquisition of Deffenbaugh. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

In August 2014, we announced a consolidation and realignment of several Corporate functions to better support achievement of the Company's strategic goals, including cost reduction. Voluntary separation arrangements were offered to all salaried employees within these organizations. Approximately 650 employees separated from our Corporate and recycling organizations in connection with this restructuring. During the year ended December 31, 2014, we recognized a total of \$82 million of pre-tax restructuring charges, of which \$70 million was related to employee severance and benefit costs. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

During the year ended December 31, 2013, we recognized a total of \$18 million of pre-tax restructuring charges, of which \$7 million was related to employee severance and benefit costs, including costs associated with our acquisitions of Greenstar and RCI and our prior restructurings. The remaining charges were primarily related to operating lease obligations for property that will no longer be utilized.

As of December 31, 2015, substantially all of the accrued employee severance and benefits related to our restructuring efforts was paid.

13. Asset Impairments and Unusual Items

Goodwill impairments

During the year ended December 31, 2014, we recognized \$10 million of goodwill impairment charges associated with our recycling operations. During the year ended December 31, 2013, we recognized \$509 million of goodwill impairment charges, primarily related to (i) \$483 million associated with our Wheelabrator business; (ii) \$10 million associated with our Puerto Rico operations and (iii) \$9 million associated with a majority-owned waste diversion technology company. See Note 3 for additional information related to these impairment charges as well as the accounting policy and analysis involved in identifying and calculating impairments.

(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items

The following table summarizes the major components of "(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items" for the years ended December 31 for the respective periods (in millions):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
(Income) expense from divestitures	\$ (7)	\$(515)	\$ (8)
Asset impairments (other than goodwill)	89	345	472
	<u>\$82</u>	<u>\$(170)</u>	<u>\$464</u>

During the year ended December 31, 2015, we recognized net charges of \$82 million, primarily related to \$66 million of charges to impair certain of our oil and gas producing properties as a result of the continued decline in oil and gas prices. We wrote down the carrying value of these properties to their estimated fair value using an income approach. At December 31, 2015, our remaining book value in these investments was \$30 million. We also recognized \$18 million of charges to write down or divest of certain assets in our recycling

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

operations and a \$5 million impairment of a landfill in our Western Canada Area due to revised post-closure cost estimates. Partially offsetting these charges was \$7 million in net gains from divestitures, including a \$6 million gain on the sale of an oil and gas producing property in the second quarter of 2015.

During the year ended December 31, 2014, we recognized net gains of \$170 million, primarily related to the following:

- *Divestitures* — We recognized net gains of \$515 million, primarily as a result of a \$519 million gain on the sale of our Wheelabrator business and an \$18 million gain on the sale of certain landfill and collection operations in our Eastern Canada Area. Partially offsetting these gains was a \$25 million loss on the divestiture of our Puerto Rico operations. Refer to Note 19 for additional information related to our divestitures.
- *Oil and gas properties impairments* — We recognized \$272 million of charges to impair certain of our oil and gas producing properties, primarily as a result of the pronounced decrease in oil and gas prices in the fourth quarter of 2014. We wrote down the carrying value of these properties to their estimated fair value using an income approach.
- *Other impairments* — We recognized additional impairment charges of \$73 million to write down assets in our waste diversion technology, renewable energy, recycling and medical waste operations.

During the year ended December 31, 2013, we recognized net charges of \$464 million, primarily related to the following:

- *Landfill impairments* — We recognized \$262 million of charges to impair certain of our landfills, primarily as a result of our consideration of management's decision in the fourth quarter of 2013 not to actively pursue expansion and/or development of such landfills. These charges were primarily associated with two landfills in our Eastern Canada Area, which are no longer accepting waste. We had previously concluded that receipt of permits for these landfills was probable. However, in connection with our asset rationalization and capital allocation analysis, which was influenced, in part, by our acquisition of RCI, we determined that the future costs to construct these landfills could be avoided as we are able to allocate disposal that would have gone to these landfills to other facilities and not materially impact operations. As a result of management's decision, we determined that the landfill assets were no longer able to be recovered by the undiscounted cash flows attributable to these assets. As such, we wrote them down to their estimated fair values using a market approach considering the highest and best use of the assets.
- *Waste-to-energy impairments* — We recognized \$144 million of impairment charges relating to three waste-to-energy facilities, primarily as a result of closure or anticipated closure due to continued difficulty securing sufficient volumes to operate the plants at capacity and the prospect of additional capacity entering the market where the largest facility is located. We wrote down the carrying value of our facilities to their estimated fair value using a market approach.
- *Other impairments* — The remainder of our 2013 charges were attributable to (i) \$31 million of charges to impair various recycling assets; (ii) \$20 million of charges to write down assets related to a majority-owned waste diversion technology company and (iii) a \$15 million charge to write down the carrying value of an oil and gas property to its estimated fair value.
- *Divestitures* — Partially offsetting these charges were \$8 million of net gains on divestitures.

See Notes 3 and 21 for additional information related to the accounting policy and analysis involved in identifying and calculating impairments; and information related to the impact of impairments on the results of operations of our reportable segments, respectively.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Equity in net losses of unconsolidated entities

During the year ended December 31, 2014, we recognized charges of \$11 million primarily to write down equity method investments in waste diversion technology companies to their fair value.

Other income (expense)

During the years ended December 31, 2015, 2014 and 2013, we recognized impairment charges of \$5 million, \$22 million and \$71 million, respectively, related to other-than-temporary declines in the value of investments in waste diversion technology companies accounted for under the cost method. We wrote down our investments to their fair value which was primarily determined using an income approach based on estimated future cash flow projections and, to a lesser extent, third-party investors' recent transactions in these securities. Partially offsetting the 2013 charges was a \$4 million gain on the sale of a similar investment.

Also, during the year ended December 31, 2014, we sold our investment in Shanghai Environment Group, which was part of our Wheelabrator business. We received cash proceeds from the sale of \$155 million, which have been included in "Proceeds from divestitures of businesses and other assets (net of cash divested)" within "Net cash provided by (used in) investing activities" in the Consolidated Statement of Cash Flows. The losses recognized related to the sale were not material.

These net charges are recorded in "Other, net" in our Consolidated Statement of Operations.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

14. Accumulated Other Comprehensive Income

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

	<u>Derivative Instruments</u>	<u>Available- for-Sale Securities</u>	<u>Foreign Currency Translation Adjustments</u>	<u>Post- Retirement Benefit Plans</u>	<u>Total</u>
Balance, December 31, 2012	\$(74)	\$ 4	\$ 276	\$(13)	\$ 193
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of \$9, \$1, \$0 and \$10, respectively	14	2	(68)	15	(37)
Amounts reclassified from accumulated other comprehensive income, net of tax (expense) benefit of \$(1), \$0, \$0 and \$0, respectively	(2)	—	—	—	(2)
Net current period other comprehensive income (loss) ...	<u>12</u>	<u>2</u>	<u>(68)</u>	<u>15</u>	<u>(39)</u>
Balance, December 31, 2013	\$(62)	\$ 6	\$ 208	\$ 2	\$ 154
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of \$4, \$2, \$0 and \$(8), respectively	6	4	(107)	(11)	(108)
Amounts reclassified from accumulated other comprehensive income, net of tax (expense) benefit of \$(3), \$0, \$0 and \$0, respectively	(5)	—	(17)	(1)	(23)
Net current period other comprehensive income (loss) ...	<u>1</u>	<u>4</u>	<u>(124)</u>	<u>(12)</u>	<u>(131)</u>
Balance, December 31, 2014	\$(61)	\$ 10	\$ 84	\$(10)	\$ 23
Other comprehensive income (loss) before reclassifications, net of tax expense (benefit) of \$20, \$(1), \$0 and \$1, respectively	30	(2)	(164)	2	(134)
Amounts reclassified from accumulated other comprehensive income, net of tax (expense) benefit of \$(14), \$0, \$0 and \$0, respectively	(21)	—	5	—	(16)
Net current period other comprehensive income (loss) ...	<u>9</u>	<u>(2)</u>	<u>(159)</u>	<u>2</u>	<u>(150)</u>
Balance, December 31, 2015	<u>\$(52)</u>	<u>\$ 8</u>	<u>\$ (75)</u>	<u>\$ (8)</u>	<u>\$(127)</u>

The amounts of other comprehensive income (loss) before reclassifications associated with the effective portion of derivatives designated as cash flow hedges are as follows (in millions):

	<u>Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Forward-starting interest rate swaps	\$—	\$ (8)	\$14
Foreign currency derivatives	50	23	17
Electricity commodity derivatives	—	(5)	(8)
Total before tax	50	10	23
Tax (expense) benefit	(20)	(4)	(9)
Net of tax	<u>\$ 30</u>	<u>\$ 6</u>	<u>\$14</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	<u>Years Ended December 31,</u>			<u>Statement of</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Operations Classification</u>
Gains and losses on cash flow hedges:				
Forward-starting interest rate swaps	\$ (12)	\$(10)	\$ (7)	Interest expense, net
Treasury rate locks	(4)	(1)	(2)	Interest expense, net
Foreign currency derivatives	51	27	21	Other, net
Electricity commodity derivatives	<u>—</u>	<u>(8)</u>	<u>(9)</u>	Operating revenues
	35	8	3	Total before tax
	<u>(14)</u>	<u>(3)</u>	<u>(1)</u>	Tax (expense) benefit
Total reclassifications for the period	<u>\$ 21</u>	<u>\$ 5</u>	<u>\$ 2</u>	Net of tax

15. Capital Stock, Dividends and Share Repurchases

Capital Stock

We have 1.5 billion shares of authorized common stock with a par value of \$0.01 per common share. As of December 31, 2015, we had 447.2 million shares of common stock issued and outstanding. The Board of Directors is authorized to issue preferred stock in series, and with respect to each series, to fix its designation, relative rights (including voting, dividend, conversion, sinking fund, and redemption rights), preferences (including dividends and liquidation) and limitations. We have 10 million shares of authorized preferred stock, \$0.01 par value, none of which is currently outstanding.

Dividends

Our quarterly dividends have been declared and paid in accordance with financial plans approved by our Board of Directors. Cash dividends declared and paid were \$695 million in 2015, or \$1.54 per common share, \$693 million in 2014, or \$1.50 per common share, and \$683 million in 2013, or \$1.46 per common share.

In December 2015, we announced that our Board of Directors expects to increase the quarterly dividend from \$0.385 to \$0.41 per share for dividends declared in 2016. However, all future dividend declarations are at the discretion of the Board of Directors and depend on various factors, including our net earnings, financial condition, cash required for future business plans and other factors the Board may deem relevant.

Share Repurchases

Our share repurchases have been made in accordance with financial plans approved by our Board of Directors. The following is a summary of our share repurchases for the periods presented:

	<u>Years Ended December 31,</u>		
	<u>2015(a)</u>	<u>2014(a)</u>	<u>2013(c)</u>
Shares repurchased (in thousands)	14,823(b)	9,569(b)	5,368
Weighted average per share purchase price . .	\$49.83	\$43.89(b)	\$43.48 - \$45.95
Total repurchases (in millions)	\$600	\$600	\$239

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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- (a) Share repurchases in 2015 and 2014 were completed through accelerated share repurchase (“ASR”) agreements. The terms of these agreements required that we deliver cash at the beginning of each ASR repurchase period. In exchange, we received 70% of the shares expected to be repurchased based on the then-current market price of our common stock. The remaining shares repurchased over the course of each repurchase period were delivered to us once the repurchase period was complete. Additional information related to our ASRs is included below.
 - (b) In July 2014, we executed ASR agreements to repurchase \$600 million of our common stock. At the beginning of the ASR repurchase periods, we delivered \$600 million in cash and received 9.6 million shares based on a stock price of \$43.89. The share repurchase periods of the agreements concluded in February 2015, at which time we received 2.8 million additional shares based on a final weighted average per share purchase price during the repurchase period of \$48.58. The amounts reported here as “Shares repurchased” are based on when shares were delivered to WM.
 - (c) Share repurchases in 2013 were completed through open market purchases.

Each ASR agreement was accounted for as two separate transactions: (i) as shares of reacquired common stock for the shares delivered to us upon effectiveness of the ASR agreements and (ii) as a forward contract indexed to our own common stock for the undelivered shares. The initial delivery of shares was included in treasury stock at cost and resulted in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share. The forward contracts indexed to our own stock met the criteria for equity classification, and these amounts were initially recorded in additional paid-in capital and reclassified to treasury stock upon completion of the ASR agreements.

The Company entered into an additional ASR agreement in December 2015 to repurchase \$150 million of our common stock in early 2016. Subsequent to this ASR agreement, we announced that the Board of Directors refreshed its prior authorization of up to \$1 billion in future share repurchases. Any future share repurchases will be made at the discretion of management, and will depend on factors similar to those considered by the Board in making dividend declarations.

16. Stock-Based Compensation

Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan (“ESPP”) under which employees that have been employed for at least 30 days may purchase shares of our common stock at a discount. The plan provides for two offering periods for purchases: January through June and July through December. At the end of each offering period, enrolled employees purchase shares of our common stock at a price equal to 85% of the lesser of the market value of the stock on the first and last day of such offering period. The purchases are made at the end of an offering period with funds accumulated through payroll deductions over the course of the offering period, and the number of shares that may be purchased is limited by IRS regulations. The total number of shares issued under the plan for the offering periods in each of 2015, 2014 and 2013 was approximately 786,000, 774,000 and 928,000, respectively. Including the impact of the January 2016 issuance of shares associated with the July to December 2015 offering period, approximately 3.2 million shares remain available for issuance under the plan, which includes 3.0 million additional shares that stockholders approved in May 2015 for future issuance.

Accounting for our ESPP increased annual compensation expense by approximately by \$6 million, or \$4 million net of tax, for 2015, 2014 and 2013.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Employee Stock Incentive Plans

In May 2014, our stockholders approved our 2014 Stock Incentive Plan (the “2014 Plan”) to replace our 2009 Stock Incentive Plan (the “2009 Plan”). The 2014 Plan authorized 23.8 million shares of our common stock for issuance pursuant to the 2014 Plan, plus the approximately 1.1 million shares that then remained available for issuance under the 2009 Plan, and any shares subject to outstanding awards under the 2009 Plan that are subsequently cancelled, forfeited, terminate, expire or lapse. As of December 31, 2015, approximately 24.4 million shares were available for future grants under the 2014 Plan. All of our stock-based compensation awards described herein have been made pursuant to either our 2009 Plan or our 2014 Plan, collectively referred to as the “Incentive Plans.” We currently utilize treasury shares to meet the needs of our equity-based compensation programs.

Pursuant to the Incentive Plans, we have the ability to issue stock options, stock appreciation rights and stock awards, including restricted stock, restricted stock units (“RSUs”) and performance share units (“PSUs”). The terms and conditions of equity awards granted under the Incentive Plans are determined by the Management Development and Compensation Committee of our Board of Directors.

The 2015 annual Incentive Plan awards granted to the Company’s senior leadership team, which generally includes the Company’s executive officers, included a combination of PSUs and stock options. The annual Incentive Plan awards granted to certain key employees included a combination of PSUs, RSUs and stock options in 2015. The Company has also periodically granted RSUs and stock options to employees working on key initiatives, in connection with new hires and promotions and to field-based managers.

Restricted Stock Units — A summary of our RSUs is presented in the table below (units in thousands):

	<u>Units</u>	<u>Weighted Average Fair Value</u>
Unvested at January 1, 2015	620	\$37.44
Granted	167	\$54.47
Vested	(240)	\$34.78
Forfeited	(23)	\$42.41
Unvested at December 31, 2015	<u>524</u>	\$43.76

The total fair market value of RSUs that vested during the years ended December 31, 2015, 2014 and 2013 was \$13 million, \$3 million and \$1 million, respectively. Net of 84,000 units deferred or used for payment of associated taxes, we issued approximately 156,000 shares of common stock for RSUs that vested during the year ended December 31, 2015.

RSUs may not be voted or sold by award recipients until time-based vesting restrictions have lapsed. RSUs primarily provide for three-year cliff vesting and include dividend equivalents accumulated during the vesting period. Unvested units are subject to forfeiture in the event of voluntary or for-cause termination. RSUs are subject to pro-rata vesting upon an employee’s retirement or involuntary termination other than for cause and become immediately vested in the event of an employee’s death or disability.

Compensation expense associated with RSUs is measured based on the grant-date fair value of our common stock and is recognized on a straight-line basis over the required employment period, which is generally the vesting period. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based upon an assessment of expected forfeitures.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Performance Share Units — Three types of PSUs are currently outstanding: (i) PSUs for which payout is dependent on total shareholder return relative to the S&P 500 (“TSR PSUs”); (ii) PSUs for which payout is dependent on the Company’s performance against pre-established adjusted cash flow metrics (“Cash Flow PSUs”) and (iii) PSUs for which payout is dependent on the Company’s performance against pre-established return on invested capital metrics (“ROIC PSUs”). All types of PSUs are payable in shares of common stock after the end of a three-year performance period, when the Company’s financial performance for the entire performance period is reported, typically in mid- to late-February of the succeeding year. At the end of the performance period, the number of shares awarded can range from 0% to 200% of the targeted amount, depending on the performance against the pre-established targets. A summary of our PSUs is presented in the table below (units in thousands):

	<u>Units</u>	<u>Weighted Average Fair Value</u>
Unvested at January 1, 2015	2,033	\$46.28
Granted	523	\$66.35
Vested	(749)	\$47.28
Forfeited	(45)	\$49.88
Unvested at December 31, 2015	<u>1,762</u>	\$52.90

The determination of achievement of performance results and corresponding vesting of PSUs for the three-year performance period ended December 31, 2015 was performed by the Management Development and Compensation Committee in February 2016. Accordingly, vesting information for such awards is not included in the table above as of December 31, 2015. The “vested” PSUs are for the three-year performance period ended December 31, 2014, as achievement of performance results and corresponding vesting was determined in February 2015. The Company’s financial results, as measured for purposes of these awards, were lower than the target levels established but in excess of the threshold performance criteria. Accordingly, recipients of these PSU awards were entitled to receive a payout of approximately 96.6% of the vested PSUs. In early 2015, we issued approximately 385,000 shares of common stock for these vested PSUs, net of 364,000 units deferred or used for payment of associated taxes.

The shares of common stock that were issued or deferred during the years ended December 31, 2015, 2014 and 2013 for prior PSU award grants had a fair market value of \$35 million, \$8 million and \$14 million, respectively. PSUs have no voting rights. PSUs receive dividend equivalents that are paid out in cash based on actual performance at the end of the awards’ performance period. PSUs are payable to an employee (or his beneficiary) upon death or disability as if that employee had remained employed until the end of the performance period, are subject to pro-rata vesting upon an employee’s retirement or involuntary termination other than for cause and are subject to forfeiture in the event of voluntary or for-cause termination.

Compensation expense associated with our Cash Flow PSUs and ROIC PSUs that continue to vest based on future performance is measured based on the fair value of our common stock at the end of each reporting period until the performance period ends. Compensation expense is recognized ratably over the performance period based on our estimated achievement of the established performance criteria. Compensation expense is only recognized for those awards that we expect to vest, which we estimate based upon an assessment of both the probability that the performance criteria will be achieved and expected forfeitures.

The grant-date fair value of our TSR PSUs is based on a Monte Carlo valuation and compensation expense is recognized on a straight-line basis over the vesting period. Compensation expense is recognized for all TSR PSUs whether or not the market conditions are achieved less expected forfeitures.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred Units — Recipients can elect to defer some or all of the vested RSU or PSU awards until a specified date or dates they choose. Deferred units are not invested, nor do they earn interest, but deferred amounts do receive dividend equivalents paid in cash during deferral at the same time and at the same rate as dividends on the Company's common stock. Deferred amounts are paid out in shares of common stock at the end of the deferral period. At December 31, 2015, we had approximately 423,000 vested deferred units outstanding.

Stock Options — Stock options granted primarily vest in 25% increments on the first two anniversaries of the date of grant with the remaining 50% vesting on the third anniversary. The exercise price of the options is the average of the high and low market value of our common stock on the date of grant, and the options have a term of 10 years. A summary of our stock options is presented in the table below (options in thousands):

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 1, 2015	8,378	\$37.22
Granted	1,455	\$54.45
Exercised	(2,170)	\$36.26
Forfeited or expired	(156)	\$38.98
Outstanding at December 31, 2015(a)	<u>7,507</u>	\$40.80
Exercisable at December 31, 2015(b)	<u>3,940</u>	\$36.44

- (a) Stock options outstanding as of December 31, 2015 have a weighted average remaining contractual term of 7.0 years and an aggregate intrinsic value of \$96 million based on the market value of our common stock on December 31, 2015.
- (b) Stock options exercisable as of December 31, 2015 have a weighted average remaining contractual term of 5.7 years and an aggregate intrinsic value of \$67 million based on the market value of our common stock on December 31, 2015. Stock options exercisable at December 31, 2015 have an exercise price ranging from \$32.18 to \$44.01.

We received cash proceeds of \$77 million, \$93 million and \$132 million during the years ended December 31, 2015, 2014 and 2013, respectively, from employee stock option exercises. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2015, 2014 and 2013 was \$37 million, \$27 million and \$41 million, respectively.

All unvested stock options shall become exercisable upon the award recipient's death or disability. In the event of a recipient's retirement, stock options shall continue to vest pursuant to the original schedule set forth in the award agreement. If the recipient is terminated by the Company without cause or voluntarily resigns, the recipient shall be entitled to exercise all stock options outstanding and exercisable within a specified time frame after such termination. All outstanding stock options, whether exercisable or not, are forfeited upon termination for cause.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We account for our employee stock options under the fair value method of accounting using a Black-Scholes methodology to measure stock option expense at the date of grant. The weighted average grant-date fair value of stock options granted during the years ended December 31, 2015, 2014 and 2013 was \$5.56, \$4.55 and \$4.26, respectively. The fair value of the stock options at the date of grant is amortized to expense over the vesting period less expected forfeitures, except for stock options granted to retirement-eligible employees, for which expense is accelerated over the period that the recipient becomes retirement-eligible. The following table presents the weighted average assumptions used to value employee stock options granted during the years ended December 31 under the Black-Scholes valuation model:

	2015	2014	2013
Expected option life	4.4 years	4.8 years	5.4 years
Expected volatility	16.7%	18.4%	21.8%
Expected dividend yield	2.8%	3.6%	4.0%
Risk-free interest rate	1.4%	1.6%	1.0%

The Company bases its expected option life on the expected exercise and termination behavior of its optionees and an appropriate model of the Company's future stock price. The expected volatility assumption is derived from the historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options, combined with other relevant factors including implied volatility in market-traded options on the Company's stock. The dividend yield is the annual rate of dividends per share over the exercise price of the option as of the grant date.

For the years ended December 31, 2015, 2014 and 2013 we recognized \$64 million, \$59 million and \$54 million, respectively, of compensation expense associated with RSU, PSU and stock option awards as a component of "Selling, general and administrative" expenses in our Consolidated Statement of Operations. Our "Provision for income taxes" for the years ended December 31, 2015, 2014 and 2013 includes related deferred income tax benefits of \$26 million, \$23 million and \$21 million, respectively. We also realized excess tax benefits from stock option exercises and RSU and PSU vestings during the years ended December 31, 2015, 2014 and 2013 of \$15 million, \$5 million and \$10 million, respectively. These amounts have been presented as cash inflows in the "Cash flows from financing activities" section of our Consolidated Statements of Cash Flows. We have not capitalized any equity-based compensation costs during the years ended December 31, 2015, 2014 and 2013.

Compensation expense recognized in 2015 and 2014 increased when compared to the respective prior year, primarily due to the increase in expected payout of our PSUs. As of December 31, 2015 we estimate that a total of approximately \$48 million of currently unrecognized compensation expense will be recognized over a weighted average period of 1.5 years for unvested RSU, PSU and stock option awards issued and outstanding.

Non-Employee Director Plan

Our non-employee directors currently receive annual grants of shares of our common stock, generally payable in two equal installments, under the Incentive Plans described above.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Earnings Per Share

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

	Years Ended December 31,		
	2015	2014	2013
Number of common shares outstanding at year-end	447.2	458.5	464.3
Effect of using weighted average common shares outstanding	5.5	4.1	3.4
Weighted average basic common shares outstanding	452.7	462.6	467.7
Dilutive effect of equity-based compensation awards and other contingently issuable shares	3.2	3.0	2.1
Weighted average diluted common shares outstanding	455.9	465.6	469.8
Potentially issuable shares	10.2	11.3	12.3
Number of anti-dilutive potentially issuable shares excluded from diluted common shares outstanding	2.0	0.4	0.1

18. Fair Value Measurements

Assets and Liabilities Accounted for at Fair Value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

We use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability, including assumptions about risk when appropriate. Our assets and liabilities that are measured at fair value on a recurring basis include the following (in millions):

	Fair Value Measurements at December 31, 2015 Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	\$ 35	\$ 35	\$—	\$—
Available-for-sale securities	43	—	43	—
Fixed-income securities	40	—	40	—
Redeemable preferred stock	47	—	—	47
Foreign currency derivatives	78	—	78	—
Total assets	<u>\$243</u>	<u>\$ 35</u>	<u>\$161</u>	<u>\$ 47</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

		Fair Value Measurements at December 31, 2014 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets:				
Money market funds	\$1,332	\$1,332	\$—	\$—
Available-for-sale securities	46	—	46	—
Fixed-income securities	38	—	38	—
Redeemable preferred stock	44	—	—	44
Foreign currency derivatives	28	—	28	—
Total assets	<u>\$1,488</u>	<u>\$1,332</u>	<u>\$112</u>	<u>\$ 44</u>

Money Market Funds

We invest portions of our “Cash and cash equivalents” and restricted trust and escrow account balances in money market funds. We measure the fair value of these investments using quoted prices in active markets for identical assets. The fair value of our money market funds approximates our cost basis in the investments. The decrease in the fair value at December 31, 2015 compared to December 31, 2014 is primarily attributable to the utilization, in 2015, of the cash proceeds received from the sale of our Wheelabrator business in 2014.

Available-for-Sale Securities

Available-for-sale securities are primarily related to the restricted trust funds that were created to settle certain of our final capping, closure, post-closure or environmental remediation obligations, which are discussed further in Note 20. These trust funds are invested in U.S. Treasury securities and equity and bond funds. We measure the fair value of these securities using quoted prices for identical or similar assets in active markets. Any changes in fair value of these trusts related to unrealized gains and losses have been appropriately reflected as a component of “Accumulated other comprehensive income.”

Fixed-Income Securities

We invest a portion of our restricted trust and escrow balances in fixed-income securities, including U.S. Treasury securities, U.S. agency securities, municipal securities and mortgage- and asset-backed securities. We measure the fair value of these securities using quoted prices for identical or similar assets in inactive markets. The fair value of our fixed-income securities approximates our cost basis in these investments.

Redeemable Preferred Stock

Redeemable preferred stock is primarily related to a noncontrolling investment in an unconsolidated entity and is included in “Investments in unconsolidated entities” in our Consolidated Balance Sheet. The fair value of our investment has been measured based on third-party investors’ recent or pending transactions in these securities, which is considered the best evidence of fair value currently available. When this evidence is not available, we use other valuation techniques as appropriate and available. These valuation methodologies may include transactions in similar instruments, discounted cash flow techniques, third-party appraisals or industry multiples and public comparables. Redeemable preferred stock also includes stock received in conjunction with the 2014 sale of our Puerto Rico operations, as discussed in Note 19.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Foreign Currency Derivatives

Our foreign currency derivatives are valued using a third-party pricing model that incorporates information about forward Canadian dollar rates, or observable market data, as of the reporting date. The third-party pricing model used to value our foreign currency derivatives also incorporates Company and counterparty credit valuation adjustments, as appropriate. Counterparties to these contracts are financial institutions who participate in our \$2.25 billion revolving credit facility. Valuations may fluctuate significantly from period-to-period due to volatility in the Canadian dollar to U.S. dollar exchange rate over the term of the agreements.

Refer to Notes 8 and 14 for additional information regarding the derivative instruments discussed above.

Fair Value of Debt

At December 31, 2015 the carrying value of our debt was approximately \$9.0 billion compared with approximately \$9.4 billion at December 31, 2014. The carrying value of our debt includes adjustments associated with fair value hedge accounting related to our interest rate swaps as discussed in Note 8.

The estimated fair value of our debt was approximately \$9.2 billion at December 31, 2015 and approximately \$10.6 billion at December 31, 2014. The carrying value of remarketable debt and borrowings under our revolving credit facilities approximates fair value due to the short-term nature of the interest rates. The fair value of our senior notes and other debt is estimated using discounted cash flow analysis, based on current market rates for similar types of instruments. The decrease in the fair value of our debt when comparing December 31, 2015 with December 31, 2014 is primarily related to the net repayment of \$427 million of our debt, a substantial portion of which was related to our debt refinancing as further discussed in Note 7. This refinancing resulted in a reduction of high-coupon debt and the payment of related market premiums on these notes, and the replacement of this debt with new notes with a fair value that closely approximates book value.

Although we have determined the estimated fair value amounts using available market information and commonly accepted valuation methodologies, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, our estimates are not necessarily indicative of the amounts that we, or holders of the instruments, could realize in a current market exchange. The use of different assumptions and/or estimation methodologies could have a material effect on the estimated fair values. The fair value estimates are based on Level 2 inputs of the fair value hierarchy available as of December 31, 2015 and 2014. These amounts have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

19. Acquisitions and Divestitures

Current Year Acquisitions

We continue to pursue the acquisition of businesses that are accretive to our Solid Waste business and enhance and expand our existing service offerings. During the year ended December 31, 2015, we acquired 27 businesses primarily related to our Solid Waste business. Total consideration, net of cash acquired, for all acquisitions was \$661 million, which included \$554 million in cash paid in 2015, purchase price holdbacks of \$11 million and a liability for contingent consideration with a preliminary estimated fair value of \$96 million. The contingent consideration is primarily based on achievement by the acquired businesses of certain negotiated goals, which generally include targeted financial metrics. Our estimated maximum obligations for the contingent cash payments were \$126 million at the dates of acquisition. As of December 31, 2015, we had paid \$8 million of this contingent consideration. In 2015, we also paid \$4 million of contingent consideration associated with acquisitions completed prior to 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The allocation of purchase price for 2015 acquisitions was primarily to “Property and equipment,” which had an estimated fair value of \$243 million; “Other intangible assets,” which had an estimated fair value of \$145 million; and “Goodwill” of \$325 million. Other intangible assets included \$131 million of customer and supplier relationships and \$8 million of covenants not-to-compete and \$6 million of trade name. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations. Goodwill of \$166 million is tax deductible and \$159 million of goodwill associated with the acquisition of Deffenbaugh, discussed below, is not tax deductible.

Deffenbaugh Disposal, Inc. — On March 26, 2015, we acquired Deffenbaugh, one of the largest privately owned collection and disposal firms in the Midwest, for total consideration of \$416 million (\$413 million cash), inclusive of amounts for estimated working capital. Deffenbaugh’s assets include five collection operations, seven transfer stations, two recycling facilities, one subtitle-D landfill, and one construction and demolition landfill. Since the acquisition date, Deffenbaugh has recognized revenues of \$134 million and net income of \$2 million which are included in our Consolidated Statements of Operations.

Goodwill of \$159 million was calculated as the excess of the consideration paid over the net assets recognized and represents the future economic benefits expected to arise from other assets acquired that could not be individually identified and separately recognized. Goodwill has been assigned to our Areas that will be integrating these operations as they are expected to benefit from the synergies of the combination. Goodwill related to this acquisition is not deductible for income tax purposes.

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

	March 26, 2015	Adjustments	December 31, 2015
Cash and cash equivalents	\$ 15	\$—	\$ 15
Accounts and other receivables	18	4	22
Parts and supplies	2	—	2
Deferred income tax asset	9	2	11
Other current assets	12	(2)	10
Property and equipment	212	(5)	207
Goodwill	140	19	159
Other intangible assets	134	(34)	100
Other assets	1	—	1
Accounts payable	(4)	2	(2)
Accrued liabilities	(12)	(8)	(20)
Deferred revenues	(5)	(1)	(6)
Landfill and environmental remediation liabilities	(21)	3	(18)
Deferred income tax liability	(65)	13	(52)
Other liabilities	(20)	6	(14)
Total purchase price	<u>\$416</u>	<u>\$ (1)</u>	<u>\$415</u>

The preliminary allocation of \$100 million for other intangibles includes \$94 million for customer relationships and \$6 million for a trade name, each with an amortization period of 15 years.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following pro forma consolidated results of operations have been prepared as if the acquisition of Deffenbaugh occurred at January 1, 2014 (in millions, except per share amounts):

	Years Ended December 31,	
	2015	2014
Operating revenues	\$13,001	\$14,168
Net income attributable to Waste Management, Inc.	753	1,304
Basic earnings per common share	1.66	2.82
Diluted earnings per common share	1.65	2.80

Prior Year Acquisitions

During the year ended December 31, 2014, we acquired 15 businesses related to our Solid Waste business. Total consideration, net of cash acquired, for all acquisitions was \$32 million, which included \$26 million in cash paid in 2014 and a liability for contingent consideration with a preliminary estimated fair value of \$6 million. The contingent consideration is primarily based on achievement by the acquired businesses of certain negotiated goals, which generally include targeted revenues. Our estimated maximum obligations for the contingent cash payments were \$6 million at the dates of acquisition. As of December 31, 2014, we had paid \$4 million of this contingent consideration. In 2014, we also paid \$5 million of contingent consideration associated with acquisitions completed prior to 2014.

The allocation of purchase price for 2014 acquisitions was primarily to “Property and equipment,” which had an estimated fair value of \$6 million; “Other intangible assets,” which had an estimated fair value of \$9 million; and “Goodwill” of \$17 million. Other intangible assets included \$7 million of customer and supplier relationships and \$2 million of covenants not-to-compete. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is tax deductible.

During the year ended December 31, 2013, we acquired Greenstar and substantially all of the assets of RCI, which are discussed further below. Additionally, we acquired 14 other businesses primarily related to our Solid Waste business and energy services operations. Total consideration, inclusive of \$7 million for estimated working capital, for all acquisitions was \$772 million, which included \$714 million in cash paid in 2013, debt of \$22 million and a liability for contingent consideration with an estimated fair value of \$29 million. The contingent consideration is primarily based on changes in certain recycling commodity indexes and, to a lesser extent, contingent upon achievement by the acquired businesses of certain negotiated goals, which generally include targeted revenues. Our estimated maximum obligations for the contingent cash payments were \$33 million at the dates of acquisition. As of December 31, 2013, we had paid \$4 million of this contingent consideration. In 2013, we also paid \$6 million of contingent consideration associated with acquisitions completed prior to 2013.

The allocation of purchase price for 2013 acquisitions was primarily to “Property and equipment,” which had an estimated fair value of \$195 million; “Other intangible assets,” which had an estimated fair value of \$232 million; and “Goodwill” of \$327 million. Other intangible assets included \$218 million of customer and supplier relationships, \$5 million of covenants not-to-compete and \$9 million of other intangible assets. Goodwill is primarily a result of expected synergies from combining the acquired businesses with our existing operations and is generally tax deductible.

Acquisition of Greenstar, LLC

On January 31, 2013, we paid \$170 million inclusive of certain adjustments, to acquire Greenstar. Pursuant to the sale and purchase agreement, up to an additional \$40 million was payable to the sellers, of which \$20

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

million was guaranteed and paid in 2015. The remaining \$20 million of this consideration was contingent based on changes in certain recyclable commodity indexes and had an estimated fair value at closing of \$16 million. This contingent consideration was not earned. Greenstar was an operator of recycling and resource recovery facilities. This acquisition provides the Company's customers with greater access to recycling solutions, having supplemented our extensive nationwide recycling network with the operations of one of the nation's largest private recyclers.

Acquisition of RCI Environnement, Inc.

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

Pro Forma Consolidated Results of Operations

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

	Year Ended December 31, 2013
Operating revenues	\$14,085
Net income attributable to Waste Management, Inc.	112
Basic earnings per common share	0.24
Diluted earnings per common share	0.24

Current Year Divestitures

The aggregate sales price for divestitures of operations was \$79 million in 2015 and we recognized net gains on these divestitures of \$7 million. These divestitures were made as part of our continuous focus on improving or divesting certain non-strategic or underperforming operations. The remaining amounts reported in the Consolidated Statement of Cash Flows generally relate to the sale of fixed assets.

Prior Year Divestitures

The aggregate sales price for divestitures of operations was \$2.09 billion in 2014, primarily related to (i) the sale of our Wheelabrator business; (ii) the sale of our Puerto Rico operations and (iii) the sale of certain landfill and collection operations in our Eastern Canada Area, as discussed further below. We recognized net gains on these divestitures of \$515 million in 2014. These divestitures were made as part of our continuous focus on improving or divesting certain non-strategic or underperforming operations. The remaining amounts reported in the Consolidated Statement of Cash Flows generally relate to the sale of fixed assets.

Divestiture of Wheelabrator Business

On December 19, 2014, we sold our Wheelabrator business to an affiliate of Energy Capital Partners and received cash proceeds of \$1.95 billion, net of cash divested, subject to certain post-closing adjustments. We recognized a gain of \$519 million on this sale which is included within "(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items" in the Consolidated Statement of Operations. For the

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

year ended December 31, 2015, net adjustments to this gain were immaterial on a pre-tax basis. In conjunction with the sale, the Company entered into several agreements to dispose of a minimum number of tons of waste at certain Wheelabrator facilities. These agreements generally provide for fixed volume commitments with certain market price resets through 2021.

Other Divestitures

During 2014, we sold our Puerto Rico operations and received proceeds of \$80 million, consisting of \$65 million of cash and \$15 million of preferred stock and recognized a loss of \$25 million. In addition, we sold certain landfill and collection operations in our Eastern Canada Area and received cash proceeds of \$39 million and recognized a gain of \$18 million. The gain or loss on these divestitures is included within “(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items” in the Consolidated Statement of Operations. The remaining proceeds from divestitures in 2014 were comprised substantially of cash.

The aggregate sales price for divestitures of operations in 2013 was \$70 million comprised substantially of cash and we recognized net gains of \$8 million. These divestitures were made as part of our continuous focus on improving or divesting certain non-strategic or underperforming operations. The remaining amounts reported in the Consolidated Statement of Cash Flows generally relate to the sale of fixed assets.

20. Variable Interest Entities

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

Consolidated Variable Interest Entities

Waste-to-Energy LLCs — In June 2000, two limited liability companies were established to purchase interests in existing leveraged lease financings at three waste-to-energy facilities that we leased, operated and maintained. We initially owned a 0.5% interest in one of the LLCs (“LLC I”) and a 0.25% interest in the second LLC (“LLC II”). John Hancock Life Insurance Company (“Hancock”) owned 99.5% of LLC I and 99.75% of LLC II was owned by LLC I and the CIT Group (“CIT”). We determined that we were the primary beneficiary of the LLCs and consolidated these entities in our Consolidated Financial Statements because (i) all of the equity owners of the LLCs were considered related parties for purposes of applying this accounting guidance; (ii) the equity owners shared power over the significant activities of the LLCs and (iii) we were the entity within the related party group whose activities were most closely associated with the LLCs. During the years ended December 31, 2014 and 2013 we recognized reductions in earnings of \$39 million and \$43 million, respectively, for Hancock’s and CIT’s noncontrolling interests in the LLCs’ earnings, which are included in our consolidated net income. The LLCs’ earnings related to the rental income generated from leasing the facilities to our subsidiaries, reduced by depreciation expense. The LLCs’ rental income was eliminated in WM’s consolidation.

In December 2014, we purchased the noncontrolling interests in the LLCs from Hancock and CIT in anticipation of our sale of our Wheelabrator business. The LLCs were then subsequently sold as part of the divestment. See Note 19 for further discussion of the sale of our Wheelabrator business.

Significant Unconsolidated Variable Interest Entities

Investment in Refined Coal Facility — In 2011, we acquired a noncontrolling interest in a limited liability company established to invest in and manage a refined coal facility. Along with the other equity investor, we support the operations of the entity in exchange for a pro-rata share of the tax credits it generates. Our initial

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

consideration for this investment consisted of a cash payment of \$48 million. At December 31, 2015 and 2014, our investment balance was \$29 million and \$32 million, respectively, representing our current maximum pre-tax exposure to loss. Under the terms and conditions of the transaction, we do not believe that we have any material exposure to loss. Required capital contributions commenced in 2013 and will continue through the expiration of the tax credits under Section 45 of the Internal Revenue Code, which occurs at the end of 2019. We are only obligated to make future contributions to the extent tax credits are generated. We determined that we are not the primary beneficiary of this entity as we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate the entity. Additional information related to this investment is discussed in Note 9.

Investment in Low-Income Housing Properties — In 2010, we acquired a noncontrolling interest in a limited liability company established to invest in and manage low-income housing properties. We support the operations of the entity in exchange for a pro-rata share of the tax credits it generates. Our target return on the investment is guaranteed and, therefore, we do not believe that we have any material exposure to loss. Our consideration for this investment totaled \$221 million, which was comprised of a \$215 million note payable and an initial cash payment of \$6 million. At December 31, 2015 and 2014, our investment balance was \$81 million and \$104 million, respectively, and our debt balance was \$80 million and \$104 million, respectively. We determined that we are not the primary beneficiary of this entity as we do not have the power to individually direct the entity's activities. Accordingly, we account for this investment under the equity method of accounting and do not consolidate the entity. Additional information related to this investment is discussed in Note 9.

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

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

We account for the trusts for which we are the sole beneficiary as long-term "Other assets" in our Consolidated Balance Sheet. We reflect our interests in the unrealized gains and losses on available-for-sale securities held by these trusts as a component of "Accumulated other comprehensive income." These trusts had a fair value of \$94 million at December 31, 2015 and \$129 million at December 31, 2014. The decline in these balances can be attributed to our decision to work with various beneficiaries to release these funds and secure the obligations with alternate assurance instruments. Our interests in the trusts that have been established for the benefit of both the Company and the host community in which we operate are accounted for as investments in unconsolidated entities and receivables. These amounts are recorded in "Other receivables," "Investments in unconsolidated entities" and long-term "Other assets" in our Consolidated Balance Sheets, as appropriate. Our investments and receivables related to these trusts had an aggregate carrying value of \$93 million and \$113 million as of December 31, 2015 and December 31, 2014, respectively.

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

21. Segment and Related Information

We evaluate, oversee and manage the financial performance of our Solid Waste subsidiaries through our 17 Areas. The 17 Areas constitute our operating segments and none of the Areas individually meet the quantitative criteria to be a separate reportable segment. We have evaluated the aggregation criteria and concluded that, based on the similarities

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

between our Areas, including the fact that our Solid Waste business is homogenous across geography with the same services offered across the Areas, aggregation of our Areas is appropriate for purposes of presenting our reportable segments. Accordingly, we have aggregated our 17 Areas into three tiers that we believe have similar economic characteristics and future prospects based in large part on a review of the Areas' income from operations margins. The economic variations experienced by our Areas is attributable to a variety of factors, including regulatory environment of the Area; economic environment of the Area, including level of commercial and industrial activity; population density; service offering mix and disposal logistics, with no one factor being singularly determinative of an Area's current or future economic performance.

Consistent with prior years, we have analyzed the Areas' income from operations margin for purposes of segment reporting and have realigned our Solid Waste tiers to reflect recent changes in their relative economic characteristics and prospects. These changes are the results of various factors including acquisitions, divestments, business mix and the economic climate of various geographies. Reclassifications have been made to our prior period consolidated financial information in order to conform to the current year presentation.

Tier 1 is now comprised of our operations across the Southern United States, with the exception of Southern California and the Florida peninsula and also includes the New England states, the tri-state area of Michigan, Indiana and Ohio and Western Canada. Tier 2 includes Southern California, Eastern Canada, Wisconsin, Minnesota and a portion of the lower Mid-Atlantic region of the United States. Tier 3 encompasses all the remaining operations including the Pacific Northwest and Northern California, the majority of the Mid-Atlantic region of the United States, the Florida peninsula, Illinois and Missouri.

Our Wheelabrator business, which managed waste-to-energy facilities and independent power production plants, was a separate reportable segment until the sale of the business in 2014, as it met the quantitative disclosure thresholds.

The operating segments not evaluated and overseen through the 17 Areas are presented herein as "Other" as these operating segments do not meet the criteria to be aggregated with other operating segments and do not meet the quantitative criteria to be separately reported.

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Summarized financial information concerning our reportable segments for the respective years ended December 31 is shown in the following table (in millions):

	<u>Gross Operating Revenues</u>	<u>Intercompany Operating Revenues(c)</u>	<u>Net Operating Revenues</u>	<u>Income from Operations (d),(e)</u>	<u>Depreciation and Amortization</u>	<u>Capital Expenditures (f)</u>	<u>Total Assets (g),(h)</u>
2015							
Solid Waste:							
Tier 1	\$ 5,083	\$ (856)	\$ 4,227	\$1,290	\$ 428	\$ 382	\$ 6,098
Tier 2	3,304	(613)	2,691	629	280	251	5,394
Tier 3	4,898	(813)	4,085	808	379	412	5,930
Wheelabrator	—	—	—	—	—	—	—
Other(a)	2,065	(107)	1,958	(160)	94	128	1,701
	<u>15,350</u>	<u>(2,389)</u>	<u>12,961</u>	<u>2,567</u>	<u>1,181</u>	<u>1,173</u>	<u>19,123</u>
Corporate and Other(b)	—	—	—	(522)	64	56	1,835
Total	<u>\$15,350</u>	<u>\$(2,389)</u>	<u>\$12,961</u>	<u>\$2,045</u>	<u>\$1,245</u>	<u>\$1,229</u>	<u>\$20,958</u>
2014							
Solid Waste:							
Tier 1	\$ 5,117	\$ (834)	\$ 4,283	\$1,301	\$ 408	\$ 388	\$ 6,150
Tier 2	3,516	(663)	2,853	711	287	223	5,648
Tier 3	4,816	(786)	4,030	787	361	351	5,449
Wheelabrator	817	(102)	715	669	37	11	—
Other(a)	2,191	(76)	2,115	(400)	128	134	1,791
	<u>16,457</u>	<u>(2,461)</u>	<u>13,996</u>	<u>3,068</u>	<u>1,221</u>	<u>1,107</u>	<u>19,038</u>
Corporate and Other(b)	—	—	—	(769)	71	74	2,850
Total	<u>\$16,457</u>	<u>\$(2,461)</u>	<u>\$13,996</u>	<u>\$2,299</u>	<u>\$1,292</u>	<u>\$1,181</u>	<u>\$21,888</u>
2013							
Solid Waste:							
Tier 1	\$ 5,130	\$ (871)	\$ 4,259	\$1,246	\$ 418	\$ 367	\$ 6,180
Tier 2	3,479	(650)	2,829	454	284	267	5,850
Tier 3	4,868	(803)	4,065	734	376	367	5,512
Wheelabrator	845	(112)	733	(517)	61	17	2,037
Other(a)	2,185	(88)	2,097	(171)	122	126	2,177
	<u>16,507</u>	<u>(2,524)</u>	<u>13,983</u>	<u>1,746</u>	<u>1,261</u>	<u>1,144</u>	<u>21,756</u>
Corporate and Other(b)	—	—	—	(667)	72	123	1,346
Total	<u>\$16,507</u>	<u>\$(2,524)</u>	<u>\$13,983</u>	<u>\$1,079</u>	<u>\$1,333</u>	<u>\$1,267</u>	<u>\$23,102</u>

- (a) Our “Other” net operating revenues and “Other” income from operations include (i) the effects of those elements of our landfill gas-to-energy operations and third-party subcontract and administration revenues managed by our Energy and Environmental Services and Renewable Energy organizations, that are not included with the operations of our reportable segments; (ii) our recycling brokerage services and (iii) the impacts of investments in expanded service offerings, such as portable self-storage, long distance moving services, fluorescent lamp recycling and oil and gas producing properties. In addition, our “Other” income from operations reflects the impacts of non-operating entities that provide financial assurance and self-insurance support for the segments or financing for our Canadian operations.

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- (b) Corporate operating results reflect the costs incurred for various support services that are not allocated to our reportable segments. These support services include, among other things, treasury, legal, information technology, tax, insurance, centralized service center processes, other administrative functions and the maintenance of our closed landfills. Income from operations for “Corporate and other” also includes costs associated with our long-term incentive program and any administrative expenses or revisions to our estimated obligations associated with divested operations.
- (c) Intercompany operating revenues reflect each segment’s total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.
- (d) For those items included in the determination of income from operations, the accounting policies of the segments are the same as those described in Note 3.
- (e) The income from operations provided by our Solid Waste business is generally indicative of the margins provided by our collection, landfill, transfer and recycling businesses. From time to time the operating results of our reportable segments are significantly affected by certain transactions or events that management believes are not indicative or representative of our results. In 2014, we recognized a \$519 million gain on the sale of our Wheelabrator business. In 2013, we recognized \$981 million of impairment charges, the most significant of which impacted our Tier 2 and Wheelabrator segments by \$253 million and \$627 million, respectively. Refer to Note 12 and Note 13 for an explanation of certain other transactions and events affecting our operating results.
- (f) Includes non-cash items. Capital expenditures are reported in our reportable segments at the time they are recorded within the segments’ property, plant and equipment balances and, therefore, may include amounts that have been accrued but not yet paid.
- (g) The reconciliation of total assets reported above to “Total assets” in the Consolidated Balance Sheet is as follows (in millions):

	December 31,		
	2015	2014	2013
Total assets, as reported above	\$20,958	\$21,888	\$23,102
Elimination of intercompany investments and advances	(539)	(591)	(612)
Total assets, per Consolidated Balance Sheet	<u>\$20,419</u>	<u>\$21,297</u>	<u>\$22,490</u>

- (h) Goodwill is included within each segment’s total assets. For segment reporting purposes, our material recovery facilities are included as a component of their respective Areas and our recycling brokerage business is included as part of our “Other” operations. As discussed in Note 19, the goodwill associated with our acquisition of Deffenbaugh has been assigned to our Areas, primarily in Tier 3 and to a lesser extent Tier 1. The following table presents changes in goodwill during 2014 and 2015 by reportable segment (in millions):

	Solid Waste			Wheelabrator	Other	Total
	Tier 1	Tier 2	Tier 3			
Balance, December 31, 2013	\$2,183	\$1,814	\$1,653	\$ 305	\$115	\$6,070
Acquired goodwill	4	16	11	—	—	31
Divested goodwill, net of assets held-for-sale	—	(1)	(2)	(305)	—	(308)
Impairments	—	—	—	—	(10)	(10)
Translation and other adjustments	(9)	(34)	—	—	—	(43)
Balance, December 31, 2014	<u>\$2,178</u>	<u>\$1,795</u>	<u>\$1,662</u>	<u>\$ —</u>	<u>\$105</u>	<u>\$5,740</u>
Acquired goodwill	27	42	151	—	105	325
Divested goodwill, net of assets held-for-sale	—	(6)	(1)	—	—	(7)
Translation and other adjustments	(15)	(59)	—	—	—	(74)
Balance, December 31, 2015	<u>\$2,190</u>	<u>\$1,772</u>	<u>\$1,812</u>	<u>\$ —</u>	<u>\$210</u>	<u>\$5,984</u>

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

	Years Ended December 31,		
	2015	2014	2013
Collection:			
Commercial	\$ 3,332	\$ 3,393	\$ 3,423
Residential	2,499	2,543	2,608
Industrial	2,252	2,231	2,209
Other	356	340	273
Total collection	8,439	8,507	8,513
Landfill	2,919	2,849	2,790
Transfer	1,377	1,353	1,329
Wheelabrator	—	817	845
Recycling	1,163	1,370	1,447
Other(a)	1,452	1,561	1,583
Intercompany(b)	(2,389)	(2,461)	(2,524)
Total	<u>\$12,961</u>	<u>\$13,996</u>	<u>\$13,983</u>

- (a) The “Other” line of business includes Strategic Business Solutions, landfill gas-to-energy operations, Port-O-Let® services, portable self-storage, long distance moving services, fluorescent lamp recycling, and oil and gas producing properties.
- (b) Intercompany revenues between lines of business are eliminated within the Consolidated Financial Statements included herein.

Net operating revenues relating to operations in the United States and Puerto Rico, as well as Canada are as follows (in millions):

	Years Ended December 31,		
	2015	2014	2013
United States and Puerto Rico(a)	\$12,196	\$13,064	\$13,054
Canada	765	932	929
Total	<u>\$12,961</u>	<u>\$13,996</u>	<u>\$13,983</u>

- (a) We sold our Puerto Rico operations in 2014. Refer to Note 19 for additional information.

Property and equipment (net) relating to operations in the United States and Puerto Rico, as well as Canada are as follows (in millions):

	December 31,		
	2015	2014	2013
United States and Puerto Rico(a)	\$ 9,778	\$ 9,586	\$11,198
Canada	887	1,071	1,146
Total	<u>\$10,665</u>	<u>\$10,657</u>	<u>\$12,344</u>

- (a) We sold our Puerto Rico operations in 2014. Refer to Note 19 for additional information.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

22. Quarterly Financial Data (Unaudited)

The following table summarizes the unaudited quarterly results of operations for 2015 and 2014 (in millions, except per share amounts):

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
2015				
Operating revenues	\$3,040	\$3,315	\$3,360	\$3,246
Income from operations	440	502	601	502
Consolidated net income (loss)	(131)	273	337	273
Net income (loss) attributable to Waste Management, Inc.	(129)	274	335	273
Basic earnings (loss) common share	(0.28)	0.60	0.75	0.61
Diluted earnings (loss) common share	(0.28)	0.60	0.74	0.61
2014				
Operating revenues	\$3,396	\$3,561	\$3,602	\$3,437
Income from operations	469	532	546	752
Consolidated net income	237	222	281	598
Net income attributable to Waste Management, Inc.	228	210	270	590
Basic earnings per common share	0.49	0.45	0.59	1.29
Diluted earnings per common share	0.49	0.45	0.58	1.28

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

Our operating revenues tend to be somewhat higher in the summer months, primarily due to the higher volume of construction and demolition waste. The volumes of industrial and residential waste in certain regions where we operate also tend to increase during the summer months. Our second and third quarter revenues and results of operations typically reflect these seasonal trends. Additionally, from time to time, our operating results are significantly affected by certain transactions or events that management believes are not indicative or representative of our results. The following significant items have affected the comparison of our operating results during the periods indicated:

First Quarter 2015

- The recognition of a pre-tax loss of \$550 million associated with the early extinguishment of almost \$2 billion of our high-coupon senior notes through a make-whole redemption and cash tender offer. We replaced substantially all of the debt extinguished with new senior notes at significantly lower coupon interest rates, which will reduce future interest expense and extended the average maturity of our debt obligations. The charges incurred for the redemption had a negative impact of \$0.74 on our diluted loss per share.
- The recognition of pre-tax charges of \$14 million associated with divestitures, impairments and restructuring, which include a \$7 million net loss associated with the sale of our Wheelabrator business in December 2014 and a \$5 million impairment charge related to a landfill in our Western Canada Area. Combined, these charges had a negative impact of \$0.03 on our diluted loss per share.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Second Quarter 2015

- The recognition of a \$55 million charge associated with the withdrawal from certain underfunded multiemployer pension plans had a negative impact of \$0.07 on our diluted earnings per share.
- The recognition of net pre-tax losses of \$6 million primarily related to the impairment of various recycling assets and certain adjustments associated with the sale of our Wheelabrator business. Combined, these charges had a favorable after-tax impact of \$0.01 on our diluted earnings per share.

Fourth Quarter 2015

- The recognition of \$70 million of pre-tax charges primarily to impair our oil and gas producing properties, which negatively affected our diluted earnings per share by \$0.09.
- The recognition of \$8 million of pre-tax restructuring charges and a \$4 million other-than-temporary decline in the value of an investment in a waste diversion technology company accounted for under the cost method. These charges had a negative impact of \$0.02 on our diluted earnings per share.

First Quarter 2014

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

Second Quarter 2014

- The recognition of a pre-tax loss of \$25 million on the divestiture of our Puerto Rico operations. No tax benefit was recorded in connection with the loss. In addition, we incurred \$32 million of tax charges to repatriate accumulated cash prior to the divestment. These charges had a negative impact of \$0.12 on our diluted earnings per share.
- The recognition of other net pre-tax charges of \$16 million, primarily as a result of a \$12 million impairment charge due to the decision to close a waste processing facility. These charges had a negative impact of \$0.03 on our diluted earnings per share.

Third Quarter 2014

- The recognition of \$67 million of pre-tax restructuring charges primarily related to our August 2014 restructuring. These items had a negative impact of \$0.09 on our diluted earnings per share.
- The recognition of pre-tax charges aggregating \$20 million comprised of (i) litigation reserves and (ii) the write down of an investment in a waste diversion technology company, partially offset by a gain on the sale of certain landfill and collection operations in our Eastern Canada Area. These items had a negative impact of \$0.05 on our diluted earnings per share.

Fourth Quarter 2014

- The recognition of a pre-tax gain of \$519 million on the sale of our Wheelabrator business, which positively affected our diluted earnings per share by \$1.12.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Net income was negatively impacted by the recognition of net pre-tax charges aggregating \$364 million comprised of (i) \$270 million of charges to impair our oil and gas producing properties; (ii) \$25 million of charges to write down assets related to waste diversion technology companies; (iii) \$20 million of other-than-temporary declines in the value of investments in waste diversion technology companies accounted for under the cost method; (iv) \$10 million of goodwill impairment charges associated with our recycling operations and (v) other charges to write down the carrying value of assets to their estimated fair values related to certain of our operations. These items had a negative impact of \$0.49 on our diluted earnings per share.
- Income from operations was negatively impacted by pre-tax restructuring charges of \$13 million, which negatively affected our diluted earnings per share by \$0.02.

23. Condensed Consolidating Financial Statements

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

CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2015

	WM	WM Holdings	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ —	\$ 39	\$ —	\$ 39
Other current assets	3	6	2,297	—	2,306
	3	6	2,336	—	2,345
Property and equipment, net	—	—	10,665	—	10,665
Investments in and advances to affiliates	18,557	18,911	7,365	(44,833)	—
Other assets	55	29	7,325	—	7,409
Total assets	<u>\$18,615</u>	<u>\$18,946</u>	<u>\$27,691</u>	<u>\$(44,833)</u>	<u>\$20,419</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 41	\$ —	\$ 212	\$ —	\$ 253
Accounts payable and other current liabilities	83	9	2,165	—	2,257
	124	9	2,377	—	2,510
Long-term debt, less current portion	5,833	304	2,591	—	8,728
Due to affiliates	7,289	76	—	(7,365)	—
Other liabilities	24	—	3,790	—	3,814
Total liabilities	13,270	389	8,758	(7,365)	15,052
Equity:					
Stockholders' equity	5,345	18,557	18,911	(37,468)	5,345
Noncontrolling interests	—	—	22	—	22
	5,345	18,557	18,933	(37,468)	5,367
Total liabilities and equity	<u>\$18,615</u>	<u>\$18,946</u>	<u>\$27,691</u>	<u>\$(44,833)</u>	<u>\$20,419</u>

WASTE MANAGEMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEETS (Continued)

December 31, 2014

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,235	\$ —	\$ 72	\$ —	\$ 1,307
Other current assets	5	6	2,208	—	2,219
	<u>1,240</u>	<u>6</u>	<u>2,280</u>	<u>—</u>	<u>3,526</u>
Property and equipment, net	—	—	10,657	—	10,657
Investments in and advances to affiliates	17,312	17,782	6,745	(41,839)	—
Other assets	50	28	7,036	—	7,114
	<u>50</u>	<u>28</u>	<u>7,036</u>	<u>—</u>	<u>7,114</u>
Total assets	<u>\$18,602</u>	<u>\$17,816</u>	<u>\$26,718</u>	<u>\$(41,839)</u>	<u>\$21,297</u>
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	\$ 957	\$ —	\$ 133	\$ —	\$ 1,090
Accounts payable and other current liabilities	86	13	2,296	—	2,395
	<u>1,043</u>	<u>13</u>	<u>2,429</u>	<u>—</u>	<u>3,485</u>
Long-term debt, less current portion	4,958	449	2,938	—	8,345
Due to affiliates	6,703	42	—	(6,745)	—
Other liabilities	32	—	3,546	—	3,578
	<u>32</u>	<u>—</u>	<u>3,546</u>	<u>—</u>	<u>3,578</u>
Total liabilities	<u>12,736</u>	<u>504</u>	<u>8,913</u>	<u>(6,745)</u>	<u>15,408</u>
Equity:					
Stockholders' equity	5,866	17,312	17,782	(35,094)	5,866
Noncontrolling interests	—	—	23	—	23
	<u>5,866</u>	<u>17,312</u>	<u>17,805</u>	<u>(35,094)</u>	<u>5,889</u>
Total liabilities and equity	<u>\$18,602</u>	<u>\$17,816</u>	<u>\$26,718</u>	<u>\$(41,839)</u>	<u>\$21,297</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2015					
Operating revenues	\$ —	\$ —	\$12,961	\$ —	\$12,961
Costs and expenses(a)	—	(1)	10,917	—	10,916
Income from operations	—	1	2,044	—	2,045
Other income (expense):					
Interest expense, net	(298)	(22)	(65)	—	(385)
Loss on early extinguishment of debt	(500)	(52)	(3)	—	(555)
Equity in earnings of subsidiaries, net of taxes	1,245	1,289	—	(2,534)	—
Other, net	—	—	(45)	—	(45)
	447	1,215	(113)	(2,534)	(985)
Income before income taxes	447	1,216	1,931	(2,534)	1,060
Provision for (benefit from) income taxes	(306)	(29)	643	—	308
Consolidated net income	753	1,245	1,288	(2,534)	752
Less: Net income (loss) attributable to noncontrolling interests	—	—	(1)	—	(1)
Net income attributable to Waste Management, Inc.	<u>\$ 753</u>	<u>\$1,245</u>	<u>\$ 1,289</u>	<u>\$(2,534)</u>	<u>\$ 753</u>
Year Ended December 31, 2014					
Operating revenues	\$ —	\$ —	\$13,996	\$ —	\$13,996
Costs and expenses(a)	—	(459)	12,156	—	11,697
Income from operations	—	459	1,840	—	2,299
Other income (expense):					
Interest expense, net	(351)	(31)	(84)	—	(466)
Equity in earnings of subsidiaries, net of taxes	1,510	1,070	—	(2,580)	—
Other, net	—	—	(82)	—	(82)
	1,159	1,039	(166)	(2,580)	(548)
Income before income taxes	1,159	1,498	1,674	(2,580)	1,751
Provision for (benefit from) income taxes	(139)	(12)	564	—	413
Consolidated net income	1,298	1,510	1,110	(2,580)	1,338
Less: Net income (loss) attributable to noncontrolling interests	—	—	40	—	40
Net income attributable to Waste Management, Inc.	<u>\$1,298</u>	<u>\$1,510</u>	<u>\$ 1,070</u>	<u>\$(2,580)</u>	<u>\$ 1,298</u>
Year Ended December 31, 2013					
Operating revenues	\$ —	\$ —	\$13,983	\$ —	\$13,983
Costs and expenses(a)	—	—	12,904	—	12,904
Income from operations	—	—	1,079	—	1,079
Other income (expense):					
Interest expense, net	(355)	(32)	(90)	—	(477)
Equity in earnings of subsidiaries, net of taxes	313	332	—	(645)	—
Other, net	—	—	(108)	—	(108)
	(42)	300	(198)	(645)	(585)
Income before income taxes	(42)	300	881	(645)	494
Provision for (benefit from) income taxes	(140)	(13)	517	—	364
Consolidated net income	98	313	364	(645)	130
Less: Net income (loss) attributable to noncontrolling interests	—	—	32	—	32
Net income attributable to Waste Management, Inc.	<u>\$ 98</u>	<u>\$ 313</u>	<u>\$ 332</u>	<u>\$(645)</u>	<u>\$ 98</u>

(a) Includes “Goodwill impairments” and “(Income) expense from divestitures, asset impairments (other than goodwill) and unusual items” as reported in our Consolidated Statements of Operations.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2015					
Comprehensive income (loss)	\$ 762	\$1,245	\$1,129	\$(2,534)	\$ 602
Less: Comprehensive income (loss) attributable to noncontrolling interests	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(1)</u>
Comprehensive income (loss) attributable to Waste Management, Inc.	<u>\$ 762</u>	<u>\$1,245</u>	<u>\$1,130</u>	<u>\$(2,534)</u>	<u>\$ 603</u>
Year Ended December 31, 2014					
Comprehensive income (loss)	\$1,300	\$1,510	\$ 977	\$(2,580)	\$1,207
Less: Comprehensive income (loss) attributable to noncontrolling interests	<u>—</u>	<u>—</u>	<u>40</u>	<u>—</u>	<u>40</u>
Comprehensive income (loss) attributable to Waste Management, Inc.	<u>\$1,300</u>	<u>\$1,510</u>	<u>\$ 937</u>	<u>\$(2,580)</u>	<u>\$1,167</u>
Year Ended December 31, 2013					
Comprehensive income (loss)	\$ 112	\$ 313	\$ 311	\$ (645)	\$ 91
Less: Comprehensive income (loss) attributable to noncontrolling interests	<u>—</u>	<u>—</u>	<u>32</u>	<u>—</u>	<u>32</u>
Comprehensive income (loss) attributable to Waste Management, Inc.	<u>\$ 112</u>	<u>\$ 313</u>	<u>\$ 279</u>	<u>\$ (645)</u>	<u>\$ 59</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2015					
Cash flows from operating activities:					
Consolidated net income (loss)	\$ 753	\$ 1,245	\$ 1,288	\$(2,534)	\$ 752
Equity in earnings of subsidiaries, net of taxes	(1,245)	(1,289)	—	2,534	—
Other adjustments	9	(6)	1,743	—	1,746
Net cash provided by (used in) operating activities	<u>(483)</u>	<u>(50)</u>	<u>3,031</u>	<u>—</u>	<u>2,498</u>
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(554)	—	(554)
Capital expenditures	—	—	(1,233)	—	(1,233)
Proceeds from divestitures of businesses and other assets (net of cash divested)	—	—	145	—	145
Net receipts from restricted trust and escrow accounts and other, net	—	—	34	—	34
Net cash provided by (used in) investing activities	<u>—</u>	<u>—</u>	<u>(1,608)</u>	<u>—</u>	<u>(1,608)</u>
Cash flows from financing activities:					
New borrowings	1,881	—	456	—	2,337
Debt repayments	(1,920)	(145)	(699)	—	(2,764)
Premiums paid on early extinguishment of debt	(503)	(52)	—	—	(555)
Common stock repurchases	(600)	—	—	—	(600)
Cash dividends	(695)	—	—	—	(695)
Exercise of common stock options	77	—	—	—	77
Acquisitions of and distributions paid to noncontrolling interests and other	9	—	36	—	45
(Increase) decrease in intercompany and investments, net	999	247	(1,246)	—	—
Net cash provided by (used in) financing activities	<u>(752)</u>	<u>50</u>	<u>(1,453)</u>	<u>—</u>	<u>(2,155)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>—</u>	<u>—</u>	<u>(3)</u>	<u>—</u>	<u>(3)</u>
Increase (decrease) in cash and cash equivalents	(1,235)	—	(33)	—	(1,268)
Cash and cash equivalents at beginning of year . .	1,235	—	72	—	1,307
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39</u>	<u>\$ —</u>	<u>\$ 39</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2014					
Cash flows from operating activities:					
Consolidated net income (loss)	\$ 1,298	\$ 1,510	\$ 1,110	\$(2,580)	\$ 1,338
Equity in earnings of subsidiaries, net of taxes	(1,510)	(1,070)	—	2,580	—
Other adjustments	(36)	(1)	1,030	—	993
Net cash provided by (used in) operating activities	<u>(248)</u>	<u>439</u>	<u>2,140</u>	<u>—</u>	<u>2,331</u>
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(35)	—	(35)
Capital expenditures	—	—	(1,151)	—	(1,151)
Proceeds from divestitures of businesses and other assets (net of cash divested)	—	1,618	635	—	2,253
Net receipts from restricted trust and escrow accounts and other, net	—	—	(72)	—	(72)
Net cash provided by (used in) investing activities	<u>—</u>	<u>1,618</u>	<u>(623)</u>	<u>—</u>	<u>995</u>
Cash flows from financing activities:					
New borrowings	2,572	—	245	—	2,817
Debt repayments	(3,005)	—	(563)	—	(3,568)
Common stock repurchases	(600)	—	—	—	(600)
Cash dividends	(693)	—	—	—	(693)
Exercise of common stock options	93	—	—	—	93
Acquisitions of and distributions paid to noncontrolling interests and other	5	—	(126)	—	(121)
(Increase) decrease in intercompany and investments, net	3,111	(2,057)	(1,054)	—	—
Net cash provided by (used in) financing activities	<u>1,483</u>	<u>(2,057)</u>	<u>(1,498)</u>	<u>—</u>	<u>(2,072)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	(5)	—	(5)
Increase (decrease) in cash and cash equivalents	1,235	—	14	—	1,249
Cash and cash equivalents at beginning of year . .	—	—	58	—	58
Cash and cash equivalents at end of year	<u>\$ 1,235</u>	<u>\$ —</u>	<u>\$ 72</u>	<u>\$ —</u>	<u>\$ 1,307</u>

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS (Continued)

	<u>WM</u>	<u>WM Holdings</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Year Ended December 31, 2013					
Cash flows from operating activities:					
Consolidated net income (loss)	\$ 98	\$ 313	\$ 364	\$(645)	\$ 130
Equity in earnings of subsidiaries, net of taxes	(313)	(332)	—	645	—
Other adjustments	(2)	—	2,327	—	2,325
Net cash provided by (used in) operating activities . .	<u>(217)</u>	<u>(19)</u>	<u>2,691</u>	<u>—</u>	<u>2,455</u>
Cash flows from investing activities:					
Acquisitions of businesses, net of cash acquired	—	—	(724)	—	(724)
Capital expenditures	—	—	(1,271)	—	(1,271)
Proceeds from divestitures of businesses and other assets (net of cash divested)	—	—	138	—	138
Net receipts from restricted trust and escrow accounts and other, net	—	—	(43)	—	(43)
Net cash provided by (used in) investing activities . .	<u>—</u>	<u>—</u>	<u>(1,900)</u>	<u>—</u>	<u>(1,900)</u>
Cash flows from financing activities:					
New borrowings	1,140	—	1,092	—	2,232
Debt repayments	(1,120)	—	(957)	—	(2,077)
Common stock repurchases	(239)	—	—	—	(239)
Cash dividends	(683)	—	—	—	(683)
Exercise of common stock options	132	—	—	—	132
Acquisitions of and distributions paid to noncontrolling interests and other	14	—	(66)	—	(52)
(Increase) decrease in intercompany and investments, net	913	19	(932)	—	—
Net cash provided by (used in) financing activities . .	<u>157</u>	<u>19</u>	<u>(863)</u>	<u>—</u>	<u>(687)</u>
Effect of exchange rate changes on cash and cash equivalents	—	—	(4)	—	(4)
Increase (decrease) in cash and cash equivalents	(60)	—	(76)	—	(136)
Cash and cash equivalents at beginning of year	60	—	134	—	194
Cash and cash equivalents at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 58</u>

24. New Accounting Standard Pending Adoption (Unaudited)

In May 2014, the FASB amended authoritative guidance associated with revenue recognition. The amended guidance requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the amendments will require enhanced qualitative and quantitative disclosures regarding customer contracts. The amended authoritative guidance associated with revenue recognition is effective for the Company on January 1, 2018. The amended guidance may be applied retrospectively for all periods presented or retrospectively with the cumulative effect of initially applying the amended guidance recognized at the date of initial application. We are in the process of assessing the provisions of the amended guidance and have not determined whether the adoption will have a material impact on our consolidated financial statements.

WASTE MANAGEMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

25. Subsequent Event

On January 8, 2016, Waste Management Inc. of Florida, a wholly-owned subsidiary of WM, acquired certain operations and business assets of Southern Waste Systems/Sun Recycling in Southern Florida. The acquired business assets include residential, commercial, and industrial solid waste collection, processing/recycling and transfer operations, equipment, vehicles, real estate and customer agreements. Total consideration, inclusive of amounts for estimated working capital, paid at closing was \$516 million and is subject to standard post-closing adjustments. The acquisition was funded primarily with borrowings under our \$2.25 billion revolving credit facility.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Effectiveness of Controls and Procedures

Our management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of our disclosure controls and procedures in ensuring that the information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such information is accumulated and communicated to management (including the principal executive and financial officers) as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive and financial officers have concluded that such disclosure controls and procedures were effective as of December 31, 2015 (the end of the period covered by this Annual Report on Form 10-K).

Management's Report on Internal Control Over Financial Reporting

Management's report on our internal control over financial reporting can be found in Item 8, *Financial Statements and Supplementary Data*, of this report. Ernst & Young LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting as of December 31, 2015 as stated in their report, which appears in Item 8 of this report.

Changes in Internal Control over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended December 31, 2015. We determined that there were no changes in our internal control over financial reporting during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information.*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

The information required by this Item is incorporated by reference to the sections entitled "Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Executive Officers," in the Company's definitive Proxy Statement for its 2016 Annual Meeting of Stockholders (the "Proxy Statement"), to be held May 12, 2016. The Proxy Statement will be filed with the SEC within 120 days of the end of our fiscal year.

We have adopted a code of ethics that applies to our CEO, CFO and Chief Accounting Officer, as well as other officers, directors and employees of the Company. The code of ethics, entitled "Code of Conduct," is posted on our website at www.wm.com under the section "Corporate Governance" within the "Investor Relations" tab.

Item 11. *Executive Compensation.*

The information required by this Item is incorporated herein by reference to the sections entitled "Board of Directors — Non-Employee Director Compensation," "— Compensation Committee Report," "— Compensation Committee Interlocks and Insider Participation," "Executive Compensation — Compensation Discussion and Analysis" and "— Executive Compensation Tables" in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by this Item is incorporated herein by reference to the sections entitled “Executive Compensation — Executive Compensation Tables — Equity Compensation Plan Table,” “Director and Officer Stock Ownership,” and “Security Ownership of Certain Beneficial Owners” in the Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required by this Item is incorporated herein by reference to the sections entitled “Board of Directors — Related Party Transactions” and “— Independence of Board Members” in the Proxy Statement.

Item 14. *Principal Accounting Fees and Services.*

The information required by this Item is incorporated herein by reference to the section entitled “Ratification of Independent Registered Public Accounting Firm — Independent Registered Public Accounting Firm Fee Information” in the Proxy Statement.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

(a) (1) Consolidated Financial Statements:

Reports of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2015 and 2014
Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013
Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013
Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013
Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013
Notes to Consolidated Financial Statements

(a) (2) *Consolidated Financial Statement Schedules:*

Schedule II — Valuation and Qualifying Accounts

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

(b) *Exhibits:*

The exhibit list required by this Item is incorporated by reference to the Exhibit Index filed as part of this report.

SIGNATURES

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

WASTE MANAGEMENT, INC.

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

Date: February 18, 2016

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ DAVID P. STEINER </u> David P. Steiner	President, Chief Executive Officer and Director (Principal Executive Officer)	February 18, 2016
<u> /s/ JAMES C. FISH, JR. </u> James C. Fish, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 18, 2016
<u> /s/ DON P. CARPENTER </u> Don P. Carpenter	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 18, 2016
<u> /s/ BRADBURY H. ANDERSON </u> Bradbury H. Anderson	Director	February 18, 2016
<u> /s/ FRANK M. CLARK, JR. </u> Frank M. Clark	Director	February 18, 2016
<u> /s/ ANDRÉS R. GLUSKI </u> Andrés R. Gluski	Director	February 18, 2016
<u> /s/ PATRICK W. GROSS </u> Patrick W. Gross	Director	February 18, 2016
<u> /s/ VICTORIA M. HOLT </u> Victoria M. Holt	Director	February 18, 2016
<u> /s/ KATHLEEN M. MAZZARELLA </u> Kathleen M. Mazzarella	Director	February 18, 2016
<u> /s/ JOHN C. POPE </u> John C. Pope	Director	February 18, 2016
<u> /s/ W. ROBERT REUM </u> W. Robert Reum	Chairman of the Board and Director	February 18, 2016
<u> /s/ THOMAS H. WEIDEMEYER </u> Thomas H. Weidemeyer	Director	February 18, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Waste Management, Inc.

We have audited the consolidated financial statements of Waste Management, Inc. as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015, and have issued our report thereon dated February 18, 2016 (included elsewhere in this Form 10-K). Our audits also included the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Houston, Texas
February 18, 2016

WASTE MANAGEMENT, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(In Millions)

	Balance Beginning of Year	Charged to Income	Accounts Written Off/Use of Reserve	Balance End of Year
2013 — Reserves for doubtful accounts(a)	\$45	\$39	\$(50)	\$34
2014 — Reserves for doubtful accounts(a)	\$34	\$42	\$(45)	\$31
2015 — Reserves for doubtful accounts(a)	\$31	\$36	\$(42)	\$25
2013 — Merger and restructuring accruals(b)	\$32	\$18	\$(36)	\$14
2014 — Merger and restructuring accruals(b)	\$14	\$82	\$(51)	\$45
2015 — Merger and restructuring accruals(b)	\$45	\$15	\$(47)	\$13

(a) Includes reserves for doubtful accounts receivable and notes receivable.

(b) Included in accrued liabilities in our Consolidated Balance Sheets. These accruals represent employee severance and benefit costs and transitional costs.

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
3.1	— Third Restated Certificate of Incorporation of Waste Management, Inc. [incorporated by reference to Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 2010].
3.2	— Amended and Restated By-laws of Waste Management, Inc. [incorporated by reference to Exhibit 3.2 to Form 8-K dated December 6, 2012].
4.1	— Specimen Stock Certificate [incorporated by reference to Exhibit 4.1 to Form 10-K for the year ended December 31, 1998].
4.2	— Third Restated Certificate of Incorporation of Waste Management Holdings, Inc. [incorporated by reference to Exhibit 4.2 to Form 10-K for the year ended December 31, 2014].
4.3	— Amended and Restated By-laws of Waste Management Holdings, Inc. [incorporated by reference to Exhibit 4.3 to Form 10-Q for the quarter ended June 30, 2014].
4.4	— Indenture for Subordinated Debt Securities dated February 3, 1997, among the Registrant and The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee [incorporated by reference to Exhibit 4.1 to Form 8-K dated February 7, 1997].
4.5	— Indenture for Senior Debt Securities dated September 10, 1997, among the Registrant and The Bank of New York Mellon Trust Company, N.A. (the current successor to Texas Commerce Bank National Association), as trustee [incorporated by reference to Exhibit 4.1 to Form 8-K dated September 10, 1997].
4.6	— Officers' Certificate delivered pursuant to Section 301 of the Indenture dated September 10, 1997 by and between Waste Management, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, establishing the terms and form of Waste Management, Inc.'s 3.125% Senior Notes due 2025 [incorporated by reference to Exhibit 4.1 to Form 10-Q for the quarter ended March 31, 2015].
4.7	— Guarantee Agreement by Waste Management Holdings, Inc. in favor of The Bank of New York Mellon Trust Company, N.A., as Trustee for the holders of Waste Management, Inc.'s 3.125% Senior Notes due 2025 [incorporated by reference to Exhibit 4.4 to Form 10-Q for the quarter ended March 31, 2015].
4.8*	— Schedule of Officers' Certificates delivered pursuant to Section 301 of the Indenture dated September 10, 1997 establishing the terms and form of Waste Management, Inc.'s Senior Notes. Waste Management and its subsidiaries are parties to debt instruments that have not been filed with the SEC under which the total amount of securities authorized under any single instrument does not exceed 10% of the total assets of Waste Management and its subsidiaries on a consolidated basis. Pursuant to paragraph 4(iii)(A) of Item 601(b) of Regulation S-K, Waste Management agrees to furnish a copy of such instruments to the SEC upon request.
10.1†	— 2014 Stock Incentive Plan [incorporated by reference to Exhibit 10.1 to Form 8-K dated May 13, 2014].
10.2†	— 2009 Stock Incentive Plan [incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed March 25, 2009].
10.3†	— 2005 Annual Incentive Plan [incorporated by reference to Appendix D to the Proxy Statement on Schedule 14A filed April 8, 2004].
10.4†	— Waste Management, Inc. Employee Stock Purchase Plan [incorporated by reference to Exhibit 10.1 to Form 8-K filed May 15, 2015].

- 10.5†* — First Amendment to Waste Management, Inc. Employee Stock Purchase Plan effective as of July 1, 2015.
- 10.6† — Waste Management, Inc. 409A Deferral Savings Plan as Amended and Restated effective January 1, 2014 [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2014].
- 10.7† — 2004 Stock Incentive Plan [incorporated by reference to Appendix C to Proxy Statement on Schedule 14A filed April 8, 2004].
- 10.8 — \$2.25 Billion Second Amended and Restated Revolving Credit Agreement by and among Waste Management, Inc. and Waste Management Holdings, Inc. and certain banks party thereto, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A. and Barclays Bank PLC, as syndication agents, BNP Paribas, Citibank, N.A., Deutsche Bank AG New York Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Royal Bank of Scotland plc, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Barclays Bank PLC, as lead arrangers and joint bookrunners. [incorporated by reference to Exhibit 10.1 to Form 8-K filed July 30, 2013].
- 10.9 — \$2.25 Billion Third Amended and Restated Revolving Credit Agreement dated as of July 10, 2015 by and among Waste Management, Inc. and Waste Management Holdings, Inc. and certain banks party thereto, Bank of America, N.A., as administrative agent, JPMorgan Chase Bank, N.A. and Barclays Bank PLC, as syndication agents, BNP Paribas, Citibank, N.A., Deutsche Bank Securities Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Barclays Bank PLC, as lead arrangers and joint bookrunners [incorporated by reference to Exhibit 10.1 to Form 8-K filed July 14, 2015].
- 10.10 — CDN\$650 Million Credit Facilities Credit Agreement by and among Waste Management of Canada Corporation and WM Quebec Inc., as borrowers, Waste Management, Inc. and Waste Management Holdings, Inc., as guarantors, The Bank of Nova Scotia, as administrative agent, JP Morgan Chase Bank, N.A., Bank of America, N.A. and PNC Bank, National Association, as co-syndication agents, the Bank of Nova Scotia, J.P. Morgan Securities LLC, Merrill, Lynch, Pierce, Fenner & Smith Incorporated and PNC Capital Markets LLC, as joint lead arrangers and joint bookrunners and the Lenders from time to time party thereto [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2013].
- 10.11 — First Amendment Agreement to CDN\$650 Credit Facilities Credit Agreement by and among Waste Management of Canada Corporation and WM Quebec Inc., as borrowers, Waste Management, Inc. and Waste Management Holdings, Inc., as guarantors, the Lenders from time to time party thereto, and The Bank of Nova Scotia, as administrative agent [incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended September 30, 2013].
- 10.12† — Employment Agreement between the Company and David Steiner dated May 6, 2002 [incorporated by reference to Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2002].
- 10.13† — Employment Agreement between the Company and James E. Trevathan dated June 1, 2000 [incorporated by reference to Exhibit 10.20 to Form 10-K for the year ended December 31, 2000].
- 10.14† — Amendment to Employment Agreement between the Company and James E. Trevathan [incorporated by reference to Exhibit 10.3 to Form 8-K dated March 9, 2011].
- 10.15† — Employment Agreement between the Company and James C. Fish, Jr. dated August 15, 2011 [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended September 30, 2011].

- 10.16† — First Amendment to Employment Agreement between the Company and James C. Fish, Jr. dated July 20, 2012 [incorporated by reference to Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2012].
- 10.17† — Employment Agreement between the Company and Jeff Harris dated December 1, 2006 [incorporated by reference to Exhibit 10.1 to Form 8-K dated December 1, 2006].
- 10.18† — Amendment to Employment Agreement by and between the Company and Jeff Harris [incorporated by reference to Exhibit 10.6 to Form 10-Q for the quarter ended March 30, 2011].
- 10.19† — Employment Agreement between the Company and John Morris dated June 18, 2012 [incorporated by reference to Exhibit 10.4 to Form 10-Q for the quarter ended June 30, 2012].
- 10.20† — Employment Agreement between the Company and Barry H. Caldwell dated September 23, 2002 [incorporated by reference to Exhibit 10.24 to Form 10-K for the year ended December 31, 2002].
- 10.21† — Employment Agreement between the Company and Rick L Wittenbraker dated November 10, 2003 [incorporated by reference to Exhibit 10.30 to Form 10-K for the year ended December 31, 2003].
- 10.22† — Separation and Release Agreement between USA Waste Management Resources, LLC and Rick L Wittenbraker dated January 30, 2015 [incorporated by reference to Exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2015].
- 10.23 — Employment Agreement between the Company and Puneet Bhasin dated December 7, 2009 [incorporated by reference to Exhibit 10.12 to Form 10-K for the year ended December 31, 2009].
- 10.24† — Employment Agreement between the Company and Mark Schwartz dated July 5, 2012 [incorporated by reference to Exhibit 10.5 to Form 10-Q for the quarter ended June 30, 2012].
- 10.25† — Employment Agreement between the Company and Don P. Carpenter dated July 31, 2000, as amended by First Amendment to Employment Agreement between USA Waste-Management Resources, LLC and Don P. Carpenter effective as of August 24, 2012 [incorporated by reference to Exhibit 10.23 to Form 10-K for the year ended December 31, 2012].
- 10.26† — Form of Director and Executive Officer Indemnity Agreement [incorporated by reference to Exhibit 10.43 to Form 10-K for the year ended December 31, 2012].
- 10.27† — Form of 2014 Senior Leadership Team Award Agreement for Long Term Incentive Compensation under the Waste Management, Inc. 2009 Stock Incentive Plan [incorporated by reference to Exhibit 10.1 to Form 8-K dated March 7, 2014].
- 10.28† — Form of 2013 PSU Award Agreement with ROIC Performance Measure [incorporated by reference to Exhibit 10.1 to Form 8-K dated March 7, 2013].
- 10.29† — Form of 2013 PSU Award Agreement with TSR Performance Measure [incorporated by reference to Exhibit 10.2 to Form 8-K dated March 7, 2013].
- 10.30† — Form of 2013 Stock Option Award Agreement [incorporated by reference to Exhibit 10.3 to Form 8-K dated March 7, 2013].
- 10.31† — Form of 2012 Restricted Stock Unit Award Agreement [incorporated by reference to Exhibit 10.2 to Form 8-K dated July 3, 2012].
- 10.32† — Form of 2015 Senior Leadership Team Award Agreement [incorporated by reference to Exhibit 10.1 to Form 8-K dated March 3, 2015].
- 12.1* — Computation of Ratio of Earnings to Fixed Charges.

21.1*	—	Subsidiaries of the Registrant.
23.1*	—	Consent of Independent Registered Public Accounting Firm.
31.1*	—	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, of David P. Steiner, President and Chief Executive Officer.
31.2*	—	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended, of James C. Fish, Jr., Executive Vice President and Chief Financial Officer.
32.1*	—	Certification Pursuant to 18 U.S.C. §1350 of David P. Steiner, President and Chief Executive Officer.
32.2*	—	Certification Pursuant to 18 U.S.C. §1350 of James C. Fish, Jr., Executive Vice President and Chief Financial Officer.
95*	—	Mine Safety Disclosures.
101.INS*	—	XBRL Instance Document.
101.SCH*	—	XBRL Taxonomy Extension Schema Document.
101.CAL*	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	—	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	—	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	—	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

† Denotes management contract or compensatory plan or arrangement.

Corporate Information

BOARD OF DIRECTORS

BRADBURY H. ANDERSON (C, N)

Retired Vice Chairman
and Chief Executive Officer
Best Buy Co., Inc.

FRANK M. CLARK, JR. (A, C)

Retired Chairman
and Chief Executive Officer
ComEd

ANDRÉS R. GLUSKI (A, C)

President and Chief Executive Officer
The AES Corporation

PATRICK W. GROSS (A, N)

Chairman
The Lovell Group

VICTORIA M. HOLT (A, C)

President and Chief Executive Officer
Proto Labs, Inc.

KATHLEEN M. MAZZARELLA (C, N)

Chairman, President and
Chief Executive Officer –
Graybar Electric Company, Inc.

JOHN C. POPE (C, N)

Chairman – PFI Group
Chairman – R.R. Donnelley & Sons

W. ROBERT REUM (A, C, N)

Non-Executive Chairman of the Board
Waste Management, Inc.
Chairman, President,
and Chief Executive Officer
Amsted Industries Incorporated

DAVID P. STEINER

President and Chief Executive Officer
Waste Management, Inc.

THOMAS H. WEIDEMEYER (A, N)

Retired Senior Vice President
and Chief Operating Officer
United Parcel Service, Inc.

(A) Audit Committee

(C) Management Development and
Compensation Committee

(N) Nominating and Governance
Committee

OFFICERS

DAVID P. STEINER

President and Chief Executive Officer

PUNEET BHASIN

Executive Vice President,
Corporate Operations & Recycling

BARRY H. CALDWELL

Senior Vice President,
Corporate Affairs and
Chief Legal Officer

JAMES C. FISH, JR.

Executive Vice President and
Chief Financial Officer

JEFF M. HARRIS

Senior Vice President,
Operations

JOHN J. MORRIS, JR.

Senior Vice President,
Operations

MARK E. SCHWARTZ

Senior Vice President,
Human Resources

JAMES E. TREVATHAN, JR.

Executive Vice President and
Chief Operating Officer

DON P. CARPENTER

Vice President and
Chief Accounting Officer

STEVEN M. MORGAN

Chief Compliance Officer

DEVINA A. RANKIN

Vice President and Treasurer

COURTNEY A. TIPPY

Corporate Secretary

CORPORATE HEADQUARTERS

Waste Management, Inc.
1001 Fannin
Houston, Texas 77002
Telephone: (713) 512-6200
Facsimile: (713) 512-6299

INDEPENDENT AUDITORS

Ernst & Young LLP
5 Houston Center, Suite 1200
1401 McKinney Street
Houston, Texas 77010
(713) 750-1500

COMPANY STOCK

The Company's common stock is traded on the New York Stock Exchange (NYSE) under the symbol "WM." The number of holders of record of common stock based on the transfer records of the company at March 7, 2016 was approximately 10,100. Based on security position listings, the company believes it had at that date approximately 441,600 beneficial owners.

TRANSFER AGENT AND REGISTRAR

Computershare
211 Quality Circle, Suite 210
College Station, TX 77845
(800) 969-1190

INVESTOR RELATIONS

Security analysts, investment professionals, and shareholders should direct inquiries to Investor Relations at the corporate address or call (713) 512-6574

ANNUAL MEETING

The annual meeting of the stockholders of the Company is scheduled to be held at 11:00 a.m. on May 12, 2016 at: The Maury Myers Conference Center
Waste Management, Inc.
1021 Main Street
Houston, Texas 77002

WEB SITE

www.wm.com



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www.wm.com