



WASTE MANAGEMENT

Closed Sites Management Group
N96W13600 County Line Road
Germantown, Wisconsin 53022
(262) 253-8626
(262) 255-3798 Fax

March 25, 2016



Mr. Jeffrey Cahn
Associate Regional Counsel
U.S. Environmental Protection Agency
Office of Regional Counsel (C-14J)
77 West Jackson Boulevard
Chicago, Illinois 60604

Re: United States of America v. Waste Management of Wisconsin, Inc.
Case No. 07-C0424-C
Hagen Farm

Dear Mr. Cahn:

As required by Section XIII, paragraph 43 of the Consent Decree in the above-referenced matter, please find enclosed a corporate guaranty issued by Waste Management, Inc. to provide financial assurance for operation and maintenance of the remedial systems at the Hagen Farm site. A copy of the Waste Management, Inc. 2015 Annual Report is also enclosed.

If you have any questions, please do not hesitate to contact me at 262-509-5638.

Sincerely,
Waste Management of Wisconsin, Inc.

Michael L. Peterson, P.E.
District Manager – Closed Sites

Enclosures

cc: (without enclosures)
Chief, Environmental Enforcement Section - U.S. Department of Justice
Director, Superfund Division - USEPA
Sheila Sullivan - USEPA Region 5
Chief, Superfund Accounting - USEPA
Gary Edelstein - WDNR
Michelle Gale - WM
Jim Forney - WM

From everyday collection to environmental protection, Think Green® Think Waste Management.



March 15, 2016

Regional Administrator
Region 5
U.S. Environmental Protection Agency
77 West Jackson Boulevard
Chicago, IL 60604-3590

WASTE MANAGEMENT

1001 Fannin, Suite 4000
Houston, TX 77002
(713) 512-6200
(713) 394-2145 Fax

I am the Chief Financial Officer of Waste Management, Inc., 1001 Fannin, Houston, Texas 77002. This letter is in support of this firm's use of the financial test to demonstrate financial assurance for remedial action, as specified in subpart H of 40 CFR parts 264 and 265.

1. This firm is the owner or operator of the following facilities for which financial assurance for remedial action is demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: None.
2. This firm guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, the remedial action of the following facilities owned or operated by the guaranteed party. The current cost estimates for the remedial action so guaranteed are shown for each facility: See Exhibit A. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.
3. In States where EPA is not administering the financial requirements of subpart H of 40 CFR part 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: See Exhibit B.
4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in subpart H of 40 CFR parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: None.
5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility: None.

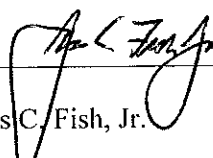
This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 2015.

ALTERNATIVE II

- | | |
|---|------------------------------------|
| 1. Sum of current closure and/or post-closure cost estimate [total of all cost estimates shown in the five paragraphs above] | \$ <u>58,120,370.02</u> |
| 2. Current bond rating of most recent issuance of this firm and name of rating service | <u>A- by Standard & Poor's</u> |
| 3. Date of issuance of bond | <u>2/26/2015</u> |
| 4. Date of maturity of bond | <u>3/1/2045</u> |
| *5. Tangible net worth [if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your firm's financial statements, you may add the amount of that portion to this line] | \$ <u>402,000,000.00</u> |
| 6. Total assets in the U. S. (required only if less than 90 % of firm's assets are located in the U. S.) | <u>N/A</u> |
| 7. Is line 5 at least \$10 million? (Yes/No) | <u>Yes</u> |
| 8. Is line 5 at least 6 times line 1? (Yes/No) | <u>Yes</u> |
| 9. Are at least 90% of firm's assets located in the U. S.? If not complete line 10 (Yes/No) | <u>Yes</u> |
| 10. Is line 6 at least 6 times line 1? (Yes/No) | <u>N/A</u> |

I hereby certify that the wording of this letter meets the requirements in 40 CFR 264.151(f) as such regulations were constituted on the date shown immediately below.

Signature: 

Name: James C. Fish, Jr.

Title: Executive Vice President and Chief Financial Officer

Date: 3/15/16

**Exhibit A
(2016)**

<u>State</u>	<u>Facility Name and Address</u>	<u>Permit No.</u>	<u>Closure Cost</u>	<u>Post-Closure Cost</u>	<u>Remedial Action</u>	<u>Total Cost</u>
WI	City Disposal Landfill Sandhill Road Dunn, Wisconsin	N/A	-	-	964,390.00	\$ 964,390.00
WI	Hagen Farm Superfund 2318 County Highway A	N/A	-	-	1,324,576.00	\$ 1,324,576.00
	<u>Total</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,288,966.00</u>	<u>\$ 2,288,966.00</u>

**Exhibit B
(2016)**

<u>State</u>	<u>Facility Name and Address</u>	<u>Permit No.</u>	<u>Closure Cost</u>	<u>Post-Closure Cost</u>	<u>Remedial Action</u>	<u>Total Cost</u>
CA	Antelope Valley Public Landfill 1200 West City Ranch Road Palmdale, CA 93551	19-AA-5624	-	8,233,039.80		\$ 8,233,039.80
CA	Bradley Landfill - West 9227 Tujunga Ave. Sun Valley, CA 91352	19-AR-0008	-	9,735,694.36		\$ 9,735,694.36
CA	Kettleman Hills Facility 35251 Old Skyline Rd. Kettleman City, CA 93239	16-AA-0021	-	9,365,677.60	-	\$ 9,365,677.60
CA	Kettleman Hills Facility Landfill B-17 35251 Old Skyline Rd. Kettleman City, CA 93239	16-AA-0027	-	9,579,725.40	-	\$ 9,579,725.40
CA	Tri-Cities Recycling & Disposal Facility 7010 Auto Mall Parkway Fremont, CA 94538	01-AA-0008	-	12,922,428.86		\$ 12,922,428.86
MS	Plantation Oaks Sanitary Landfill Recycle Center 35 Shieldsboro Road Silbey, MS 39165	SW00101B04012	932,179.00	993,600.00	-	\$ 1,925,779.00
MS	Prairie Bluff Recycle Disposal Facility 1649 Highway 15 North Houston, MS 38851	SW00901B0302	1,747,232.00	2,321,827.00	-	\$ 4,069,059.00
	<u>Total</u>		<u>\$ 2,679,411.00</u>	<u>\$ 53,151,993.02</u>	<u>\$ -</u>	<u>\$ 55,831,404.02</u>

CORPORATE GUARANTY

This GUARANTY (“Guaranty”) is given as of the 15th day of March, 2016. This GUARANTY is made with reference to the following facts and circumstances:

A. Waste Management of Wisconsin, Inc., (“WMWI”) is a corporation organized under the laws of the State of Wisconsin, all of the issued and outstanding stock of which is owned directly or indirectly by Waste Management, Inc. (“Guarantor”).

B. WMWI and the U.S. Environmental Protection Agency (“EPA”) have negotiated and executed a Consent Decree relating to the Hagen Farm Landfill Site entered on September 27, 2007 (U.S. v. Waste Management of Wisconsin, Inc. Civil Action No. 07 C 0424 C) (“Consent Decree”).

C. Pursuant to Section XIII, Paragraph 43 of the Consent Decree, WMWI must establish and maintain financial security which will guaranty WMWI’s performance of the Consent Decree.

D. Guarantor is providing this Guaranty to comply with Section XIII, Paragraph 43 of the Consent Decree.

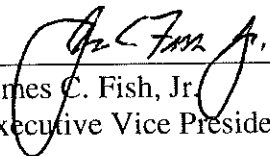
NOW, THEREFORE, in consideration of the forgoing, Guarantor agrees as follows:

1. For value received from WMWI, Guarantor guarantees to EPA that in the event that WMWI fails to conduct or complete the Remedial Action required under the Consent Decree, the Guarantor shall do so or shall establish a trust fund as specified in Subpart H of 40 CFR Parts 264 or 265, as applicable, in the name of WMWI, in an amount necessary to complete the Remedial Action as specified in Consent Decree between the EPA and WMWI relating to the Hagen Farm Landfill Site. Guarantor also guarantees to EPA that in the event that WMWI becomes unable to conduct or complete the Remedial Action required under this Consent Decree

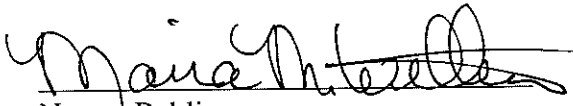
as a result of financial difficulty, Guarantor shall provide adequate funds and resources to WMWI to enable WMWI to conduct and complete the Remedial Action. Provided further, if WMWI becomes unable to conduct and complete the Remedial Action for any reason, despite the availability of funds from Guarantor, Guarantor shall fund and complete the Remedial Action.

2. Guarantor represents and warrants that it has the corporate power and authority to give this Guaranty, that its execution of this Guaranty has been authorized by all necessary action under its Article of Incorporation and By-Laws, and that the person signing this Guaranty on its behalf has the authority to do so.

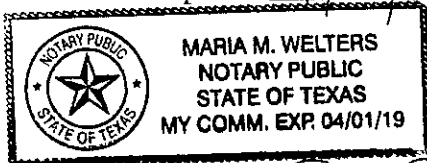
WASTE MANAGEMENT, INC.


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

Subscribed and sworn to before me MARIA M. WELTERS,
this 15 day of March, 2016.


Notary Public

My commission expires: 4/1/19



ID# 857353-6

Research

Summary:

Waste Management Inc.

Primary Credit Analyst:

Henry Fukuchi, New York (1) 212-438-2023; henry.fukuchi@standardandpoors.com

Secondary Contact:

James T Sahaan, CFA, New York (1) 212-438-3023; james.sahaan@standardandpoors.com

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Rationale

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Outlook: Stable

Standard & Poor's Ratings Services' stable outlook on Waste Management Inc. reflects our expectation that the company's strong position in the solid waste services market will enable it to maintain its operating performance and financial ratios over the next two years. The outlook also encompasses our view that management will make disciplined financial policy decisions about its share repurchases and acquisitions such that the company's funds from operations (FFO)-to-adjusted debt ratio will remain between 20% and 30% and its debt-to-EBITDA metric will remain between 3.0x and 4.0x.

Downside scenario

We could lower our ratings on Waste Management if an unexpectedly severe downturn in the U.S. economy significantly weakens the company's waste services volumes and pricing such that its revenue contracts by over 5% and its EBITDA margins deteriorate below 22%, causing its FFO-to-debt ratio to fall below 20% or its debt-to-EBITDA metric to increase above 4.0x on a sustained basis. We could also lower the ratings if the company's growth strategy and financial policies become significantly more aggressive than those that we factored into our current ratings, leading to higher debt and weaker credit measures.

Upside scenario

We could raise our ratings on Waste Management if the company sustainably improves its market position and profitability and management adopts more prudent financial policies, helping it maintain a FFO-to-adjusted debt ratio of greater than 30% or an adjusted debt-to-EBITDA metric of less than 3.0x on a sustained basis.

Standard & Poor's Base-Case Scenario

Assumptions	Key Metrics			
<ul style="list-style-type: none"> • Low-single digit percent revenue growth in 2015 (pro forma for the divestiture of Wheelabrator) driven by price increases, which are partially offset by a modest decline in volumes; • Sizable capital expenditures of about \$1.3 billion annually; • Free cash flow generation of \$1.2 billion-\$1.3 billion annually; and • Good operating profitability, with adjusted EBITDA margins of about 26%. 	2014A	2015E	2016E	
	EBITDA margin	26.6%	26%-28%	26%-28%
	FFO to adjusted debt*	23.5%	20%-30%	20%-30%
	Adjusted debt* to EBITDA	3x	3x-4x	3x-4x
<p>*We adjust debt to include the capitalization of operating leases, environmental liabilities, asset retirement obligations, self-insurance accruals, accrued interest, and litigation. We then net 75% of cash and short-term investments against debt. Our forecast does not factor in any significant acquisitions. A--Actual. E--Estimate. FFO--Funds from operations.</p>				

Business Risk: Excellent

Our "excellent" assessment of Waste Management's business risk profile reflects our view of the company's "low" industry risk, "very low" country risk, and "excellent" competitive position, which is highlighted by its very stable and above-average profitability. In our view, there is less risk in the environmental services sector (and particularly in solid waste services) than in other industries as evidenced by the relatively smaller average contraction in the operating performances of companies in this sector during recessions relative to other market segments. Demand for solid waste services is fairly predictable, even during economic downturns, because cost-effective substitutes are not widely available. This supports Waste Management's above-average profit margins and relatively strong and reliable cash flows. These favorable factors well outweigh the company's negative characteristics, which include its participation in a mature market with limited underlying unit growth, its high capital intensity for a service business, and its moderate exposure to economic cycles. While we expect Waste Management's top-line growth to be limited, we believe that the company's focus on disciplined pricing and improved operating efficiency will allow it to maintain relatively stable EBITDA margins of roughly 27%.

We assess Waste Management's management and governance as "strong" because of our positive view of the company's strategic planning and execution in relation to market conditions and management's operational effectiveness. The company's relatively stable financial performance is supported by its consistent operating strategy and the implementation of ongoing initiatives to realize its operating efficiencies. Waste Management's risk management capabilities exceed those of its peers, in our view.

We expect that waste fundamentals will continue to grow sluggishly for the remainder of 2015. We believe that the company's organic growth will pick up as the U.S. housing market recovers, increasing the company's waste services volumes and raising its core pricing. Also, the outlook for most of the solid waste services companies that we rate is modestly favorable in the near-term as suggested by their key indicators.

Financial Risk: Significant

We assess Waste Management's financial risk profile as "significant" because of its high absolute level of adjusted debt (\$10.8 billion as of June 30, 2015). In accordance with our criteria, we adjust our debt balances to account for the capitalization of operating leases, environmental liabilities, asset retirement obligations, self-insurance accruals, and any surplus cash balances. The net effect of these adjustments is an increase of almost \$1.7 billion to the company's reported debt balance. This leaves Waste Management with a debt-to-EBITDA metric of 3x and a FFO-to-adjusted debt ratio of about 26%, which are figures that we typically associate with a significant financial risk profile. In addition, while the company is able to generate over \$1.2 billion in reported free cash flow annually, its discretionary cash flow is somewhat low after taking into account its outlays for dividends.

We regard the company's financial policy as moderate because management has demonstrated the ability to adjust its allocation of available capital when necessary, effectively manage its debt maturities, and maintain financial discipline. In December 2014, Waste Management sold off Wheelabrator, its waste-to-energy business, for \$1.94 billion. The

company used the proceeds from this transaction to repay its debt and for acquisitions and share repurchases, such as its acquisition of Deffenbaugh Disposal Inc. in March 2015. We believe that the company's solid and fairly predictable cash flow generation should allow it to maintain an appropriate FFO-to-adjusted debt ratio of 20%-30% pro forma for the Wheelabrator divestiture and Deffenbaugh acquisition.

Liquidity: Adequate

Our short-term rating on Waste Management is 'A-2', and we assess the company's liquidity as "adequate". In our view, the company's liquidity sources are sufficient to cover its uses over the next 12-18 months by 1.2x or more. We also expect the company's sources of liquidity to exceed its uses even if its EBITDA declines by 15%. The company has good relationships with its banks, in our assessment, and has good standing in the credit markets.

As of June 30, 2015, Waste Management had \$273 million of cash and equivalents and about \$1.4 billion available under its \$2.25 billion revolving credit facility maturing July 26, 2018, which was subsequently amended and extended. The revolver is primarily used for letters of credit (LOCs).

Principal Liquidity Sources	Principal Liquidity Uses
<ul style="list-style-type: none"> • Availability of over \$1 billion under its credit facilities in 2015 and 2016; and • FFO of over \$2 billion annually in 2015 and 2016. 	<ul style="list-style-type: none"> • Working capital-related cash outflows of \$100 million annually in 2015 and 2016; • Manageable near-term debt maturities; • Dividends of about \$700 million-\$750 million annually in 2015 and 2016; and • Capital expenditures of about \$1.3 billion annually in 2015 and 2016, with the remaining excess cash used for acquisitions, share repurchases, and debt repayments.

Ratings Score Snapshot

Corporate Credit Rating

A-/Stable/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Low
- Competitive position: Excellent

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor: a-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria And Research

Related Criteria

- Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Environmental Services Industry, Feb. 12, 2014
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012

Business And Financial Risk Matrix						
Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

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Report of Independent Accountants on Applying Agreed-Upon Procedures

To the Management of Waste Management, Inc.:

We have performed the procedures enumerated below, which were agreed to by the management of Waste Management, Inc. (the Company) and the U.S. Environmental Protection Agency, Region 5 (the Agency) (Specified Users), solely to assist you in evaluating management's assertion that the Company complied with the financial test to demonstrate financial assurance for remedial action specified in the Code of Federal Regulations, Title 40, Subpart H, Parts 264 and 265 for the year ended December 31, 2015. We were informed by management of the Company who have responsibility for compliance with the financial test that it is presented on the basis prescribed by the Agency. Management of the Company is responsible for determining compliance with the financial test. We make no representation regarding the Company's basis of presentation or compliance with the financial test. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- We compared or derived each of the amounts (except for Tangible Net Worth) in Attachment I to this report as provided by the Company to or from the corresponding amounts in the Company's consolidated financial statements as of and for the year ended December 31, 2015, or related notes thereto, as reported in the Company's Form 10-K for the year ended December 31, 2015. Our report thereon dated February 18, 2016 expressed an unqualified opinion on those financial statements. We found these amounts to be in agreement.
- We recalculated Tangible Net Worth as set forth in Attachment I to this report as provided by the Company and described in Item 5 of Financial Test – Alternative II of the Company's letter dated March 15, 2016 from James C. Fish, Jr., Executive Vice President and Chief Financial Officer, to the Agency, and found the amount to be mathematically correct. However, we make no comments as to the interpretation of the definition of Tangible Net Worth.



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We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of Waste Management, Inc. and the U.S. Environmental Protection Agency, Region 5, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

March 16, 2016

Waste Management, Inc.

Calculation of Tangible Net Worth

December 31, 2015

Total Waste Management, Inc. Stockholders' Equity	\$ 5,345,000,000
Less: Goodwill	(5,984,000,000)
Less: Other Intangible Assets, net	(477,000,000)
Plus: Total Consolidated Closure/Post-closure Liabilities	<u>1,518,000,000</u>
Tangible Net Worth	<u>\$ 402,000,000</u>