Bank of America

March 3, 2009

City Manager's Office
CITY OF DERBY, KANSAS
611 Mulberry RD
Derby, KS 67037-3533

RE: *Exclusive* Solid Waste Collection, Transportation, and Recycling Services in the City of Derby

Ladies and Gentlemen:

We understand that Waste Connections of Kansas, Inc. ("Contractor") of 2745 N Ohio, Wichita, Kansas, is submitting a proposal in response to the RFP for the *Exclusive* Solid Waste Collection, Transportation, and Recycling Services in the City of Derby. If the City accepts the Contractor's proposal and awards the Franchise Agreement to Waste Connections of Kansas, Inc., we hereby agree that at the time of the execution of the contract, and upon receipt of a request to do so by Waste Connections of Kansas, Inc., Bank of America, NA will furnish a Letter of Credit in the sum equal to $1,470,763.80.

We hereby advise you that Bank of America, NA is duly licensed to do business in the State of Kansas.

We understand that this letter may be presented to the City of Derby Kansas with respect to Waste Connections of Kansas, Inc.

Sincerely,
Bank of America, NA

By: ______________________
Maria F. Maia
Managing Director

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Worthing F. Jackman, certify that:

1. I have reviewed this annual report on Form 10-K of Waste Connections, Inc.;

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

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

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

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

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

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

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter of 2008 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: February 10, 2009

/s/ Worthing F. Jackman

Worthing F. Jackman
Executive Vice President and
Chief Financial Officer

WASTE CONNECTIONS INC.

Connect with the Future®

EXPRESSION OF INTEREST

City of Derby
Attn: Kathy Sexton, City Manager
611 Mulberry RD
Derby KS 67037

Re: **EXPRESSION OF INTEREST** for **REQUEST FOR PROPOSALS** with respect to certain *exclusive* MSW management services in the City of Derby (“**RFP**”)

Dear Ms. Sexton:

Waste Connections of Kansas, Inc is planning to respond to the referenced RFP. This is our Expression of Interest.

Please forward any correspondence regarding this RFP, such as addenda or clarifications, to our contact listed below. We understand that proposals must to be received by the City by March 2, 2009 at 2:00 p.m. *and that co*llection services are scheduled to begin *on or about July 1, 2009.*

Sincerely,

Waste Connections of Kansas, Inc.
Jim Spencer / Division Vice President (Ks, & Ok.)
2/2/09

Contact Person:
Jim Spencer
2745 N. Ohio
Wichita, Ks. 67219
316-838-4920 ext. 123
316-253-8026
316-838-5323
jims@wcnx.org

McNeilus

Street Smart. Street Tough.

MANUAL/AUTOMATED SIDE LOADER

The Manual/Automated Side Loader truck has the most innovative loading mechanism of any refuse truck on the market. It boasts the flexibility to pick up manual, semi-automated, or fully automated routes. It functions as an automated trainer and can be used as a route cleanup truck for any rear, side, or automated units. With smooth operation and one-button pickup, this truck handles cans of almost any size.

MANUAL/AUTOMATED SIDE LOADER

McNeilus
Street Smart. Street Tough.

BODY SPECIFICATIONS
- Floor: 10-gauge AR200
- Roof: 11-gauge AR200
- Side Walls: 11-gauge AR200

TAILGATE
- Side and Rear Walls: 1/8" AR450

HOPPER
- Hopper Floor: 3/16" GRD 50
- Wear Area: 1/4" AR Hardox 400
- Hopper Assist Panel: 3/16" AR200

PACKER
- Packing Face: 1/4" AR200
- Wear Strips: X-Wear and AR400
- Follower Panel: 3/16" AR200

ARM
- Grabber Ground Clearance: 10"
- Arm Reach: 8'

CHASSIS REQUIREMENTS*
- GAWR: 18,000 lb min front, 40,000 lb min rear
- After Frame 60" min

*Guidelines only. Contact McNeilus for specific chassis requirements before ordering.

HYDRAULICS
- Pump Make/Model: Parker P350 tandem pump with HOC and Pack-on-the-go flow control system
- Control Valves: Parker VA35
- Packer Valve: VA35 x 2 work sections – pneumatic operating with pre-coalescing filter
- Arm Valve: Parker P70 x 5 work sections – electric proportional coils
- Oil Reservoir: 50 gallons
- Filter: 1 Parker 100 mesh suction filter
- Parker 16 micron medium-pressure return line

CYLINDERS
- Packer: 4" bore x 3" rod x 39-1/2" stroke
- Arm In/Out: 2" bore x 1-1/4" rod x 67" stroke
- Grabber: 2" bore x 1" rod x 6-1/4" stroke
- Tailgate: 2-1/2" bore x 1-1/2" rod x 38" stroke
- Body Lift (telescoping): 6-1/2" bore x 3-1/2" rod (3rd stage) x 170" stroke
- Hopper Assist: 3" bore x 2" rod x 14" stroke

PERFORMANCE
- 8 - 18 second dump cycle depending on reach requirement

HARDWARE
- Weather Pak and Deutsch connectors
- Aeroquip hoses and fittings
- Hydra-Zorb™ and Stauff clamps
- Zinc-dichromate coated hydraulic lines

CONTAINER CAPACITY*
- 30 - 100 gal

*Cycle times vary depending on oil temperature, engine idle setting, equipment wear, etc.

PAINTING
- Packer steel shot-blasted prior to priming with Akzo Coating's high-solids epoxy primer and acrylic urethane

OTHER OPTIONS AVAILABLE
- Hopper work lights
- Strobe light
- Camera-assist lights
- Peterson smart lights
- Clear coat
- Fire extinguisher/bracket
- Auxiliary axles (call for application)
- Camera systems – single, dual, and triple
- Mud flaps – front and/or rear
- Decals (call for pricing)
- Plastic shovel
- Toolbox
- Paint colors

M/A Manual/Automated Side Loader

SPECIFICATIONS

Overview

Body Specifications	• Floor: 10-gauge AR200 • Roof: 11-gauge AR200 • Side Walls: 11-gauge AR200
Tailgate	• Tailgate Side and Rear Walls: 1/8" AR450
Hopper	• Hopper Floor: 3/16" GRD 50 • Wear Area: 1/4" AR Hardox 400 • Hopper Assist Panel: 3/16" AR200
Packer	• Packing Face: 1/4" AR200 • Wear Strips: X-Wear and AR400 • Follower Panel: 3/16" AR200
Arm	• Grabber Ground Clearance: 10" • Arm Reach: 8'
Chassis Requirement	• GAWR: 18,000 lb Min front, 40,000 lb Min rear • After Frame 60" min
Hydraulics	• Pump Make/Model: Parker P350 tandem pump with HOC and Pack-on-the-go flow control system • Control Valves: Parker VA35 • Packer Valve: VA35 x 2 work sections — pneumatic operating with pre-coalescing filter • Arm valve: Parker P70 x 5 work sections — electric proportional coils • Oil Reservoir: 50 gallons • Filter: 1 Parker 100 mesh suction filter • Parker 16 micron medium-pressure return line
Cylinders	• Packer: 4" bore x 3" rod x 39-1/2" stroke • Arm In/Out: 2" bore x 1-1/4" rod x 67" stroke • Grabber: 2" bore x 1" rod x 6-1/4" stroke • Tailgate: 2-1/2" bore x 1-1/2" rod x 38" stroke • Body Lift (telescoping): 6-1/2" bore x 3-1/2" rod (3rd stage) x 170" stroke • Hopper Assist: 3" bore x 2" rod x 14" stroke
Hardware	• Weather Pak and Deutsch connectors • Aeroquip hoses and fittings • Hydra-Zorb™ and Stauff clamps • Zinc-dichromate coated hydraulic lines
Performance	• 8 – 18 second dump cycle depending on reach requirement
Container Capacity	• Straight Fingers: 18 – 96 gal • Standard Fingers: 18 – 110 gal • Extended Fingers: 18 – 350 gal
Painting	• Packer steel shot-blasted prior to priming with high-solids epoxy primer and acrylic urethane
Other Options Available	• Hopper work lights • Strobe light • Camera-assist lights • Peterson smart lights • Clear coat • Fire extinguisher/bracket • Auxiliary axles (call for application) • Camera systems — single, dual, and triple • Plastic shovel • Toolbox • Paint colors

SPECIFICATIONS

LITERATURE

Manual Automated Brochure

Configurator

McNeilus
An Oshkosh Corporation Company

Street Smart. Street Tough.

FIND A SALES PERSON
Enter Zip Code GO
International

About Us | Safety | Industry Links | Contact Us | Login

HOME
REFUSE TRUCK PRODUCTS
Front Loaders
Side Loaders
AutoReach Automated Side Loader®
M/A Manual/Automated Side Loader
Rear Loaders
PARTS
SUPPORT
INTERNATIONAL
NEWS
REFUSE TRUCK LEASING
USED TRUCKS
CAREERS

M/A Manual/Automated Side Loader

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SPECIFICATIONS

LITERATURE

Manual Automated Brochure

Configurator

Sales Contact
Enter your zip code to view sales contacts located near you or call:
877-PACK-MTM
(877-722-5686)

OSHKOSH An Oshkosh Corporation Company

Bulletin No. ENV-106-0407

Rehrig Pacific Company
Since 1913

Rehrig Pacific Roll-out Carts

Proven to withstand the rigors of today's collection systems, Rehrig Pacific's **HuskyLite® Roll-out Carts** are setting new industry standards for durability and efficiency. Available in 20, 35, 65 and 95 gallon sizes, for nearly any curbside application, these carts roll easily even with heavy loads. The continuous one-piece handle provides a strong gripping area and the wide wheelbase makes maneuvering easy.

HuskyLite® carts are flexible, yet hold their shape even after years of service. A reinforced top lip adds strength and rigidity as do the double drag rail and reinforced bottom. The specially designed wide ground-hugging base helps keep these carts upright and stable.

65U 65MB 35U

Options for the Roll-out Carts include internal and external locking lids, which can be made with slots for collecting confidential documents and cutouts for recyclable beverage containers. Wheel options include blow-molded wheels or quiet treaded snap-on wheels that install in seconds.

The carts are shipped with lids already attached, saving additional assembly time.

95U 95NB 95FA

Rehrig Pacific Roll-out Carts Product Information

Rehrig Pacific Company
Since 1913

Dimensions*:	20 Gallon	35 Gallon	65 Gallon	95 Gallon
Height w/Lid	39.13"	39.13"	40.58"	45.13"
Width	20.20"	20.20"	26.70"	28.50"
Depth	22.98"	22.98"	28.11"	33.73"
ANSI Load Rating+	70.0 lb.	122.5 lb.	227.5 lb.	332.5 lb.

Truckload Quantities:				
Stack Size	Inquire	9 high	9 high	8 high
48' Trailer	Inquire	864	504	384
53' Trailer	Inquire	1,080	648	432

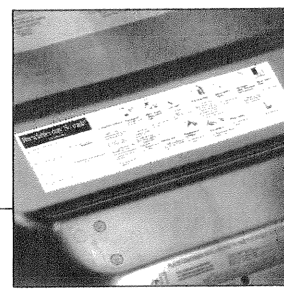
* Dimensions vary depending on wheel and lid options.
+ANSI Z245.30-1999

Roll-out Carts

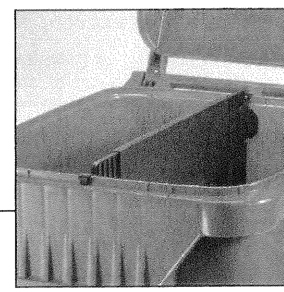
Features and Options

- For Semi-Automated or Automated Collection of Household Refuse, Recyclables and Organic Wastes
- Universal Cart Sizes in 20, 35, 65 and 95 Gallons; Fully-Automated 95 Gallon Cart also Available
- Constructed of High Quality, Resilient UV-Stabilized HDPE Resin. Available in a Wide Range of Colors
- Rotating Metal or Molded-In Catch Bars
- Double Drag Rails and Reinforced Bottom
- Hot-Stamp Branding of Logos and Recycling Slogans; Bar Coding, Sequential Numbering and Multi-Color In-Mold Labeling Options
- Divider Option for Two-Stream Collection
- Optional European Lip
- Lid Cutouts for Recyclables Available
- Lid Opening Options Include 90° or 110° Stops
- Blow Molded or Quiet Tread Wheels Available in Cotter Pin, End Cap or Snap-On Styles
- Optional Features for Confidential Document Destruction Carts:
  - △ Lids with Internal Key Lock or External Tongue Plate and Padlock
  - △ Slotted Openings with Anti-Fish Option
- See Organic Waste Container Specification Sheet for Additional Features and Options

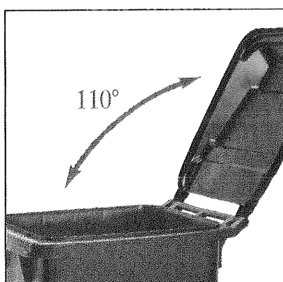
Multi-Color In-Mold Label

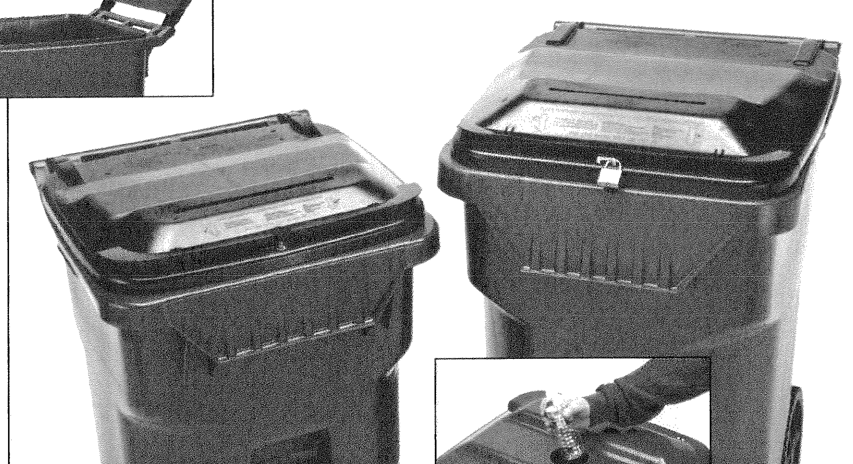


95 Gallon Cart with Divider



110° Lid Stops





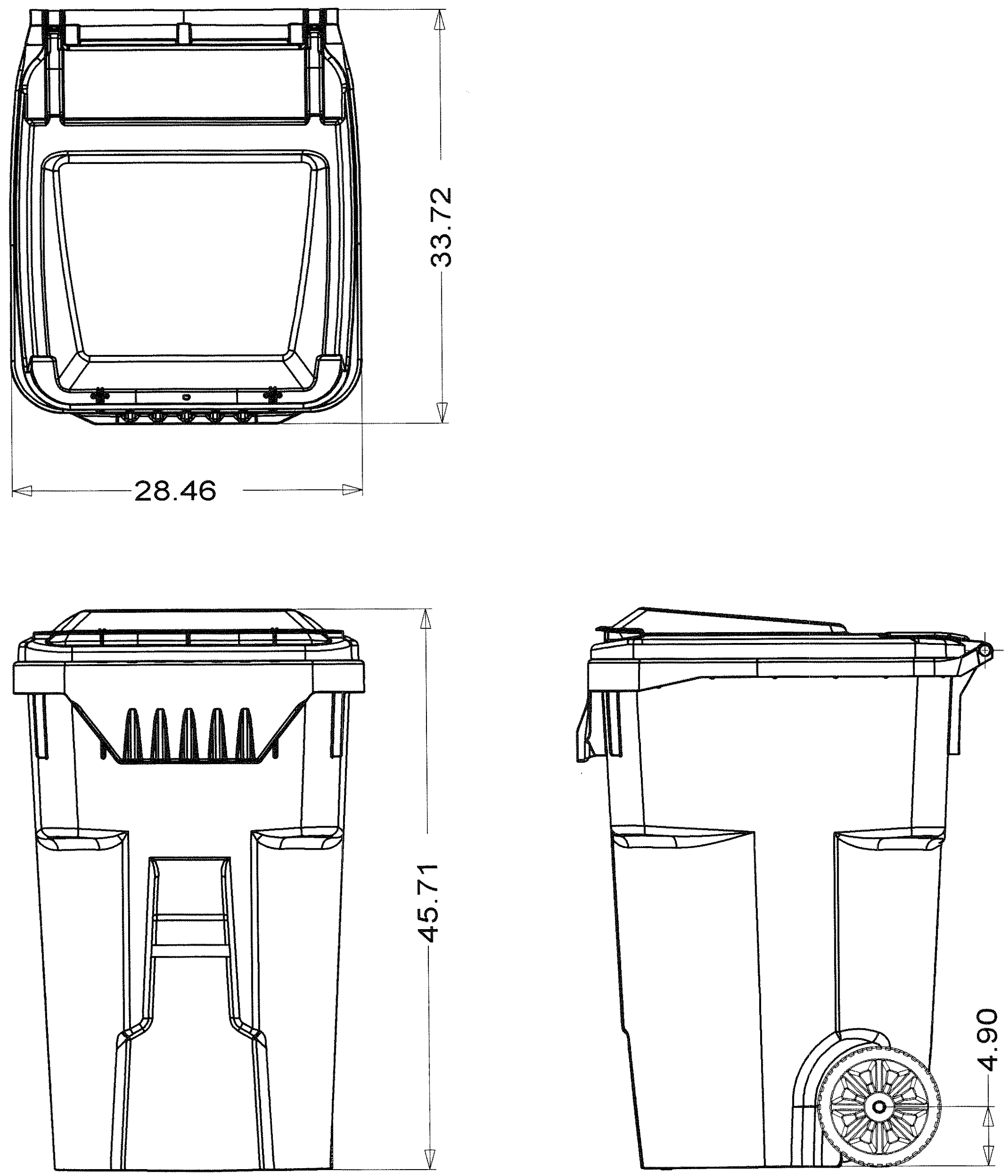
Lid Locks and Slots for Secure Document Destruction

Lid Cutout for Recyclables

Headquarters: 4010 East 26th Street Los Angeles, California 90023 (323) 262-5145 (800) 421-6244 FAX: (323) 269-8506
Erie, PA (800) 458-0403 • Atlanta, GA (800) 241-9693 • Dallas, TX (800) 426-9189 • Kenosha, WI (800) 934-3312 • Raymond, NH (800) 882-7440
De Soto, KS (866) 265-4108 • Orlando, FL (800) 998-2525 • Canada (800) 241-9693 • Mexico (52-555) 290-5283
www.rehrigpacific.com • info@rehrigpacific.com

Rehrig Pacific Company
Since 1913

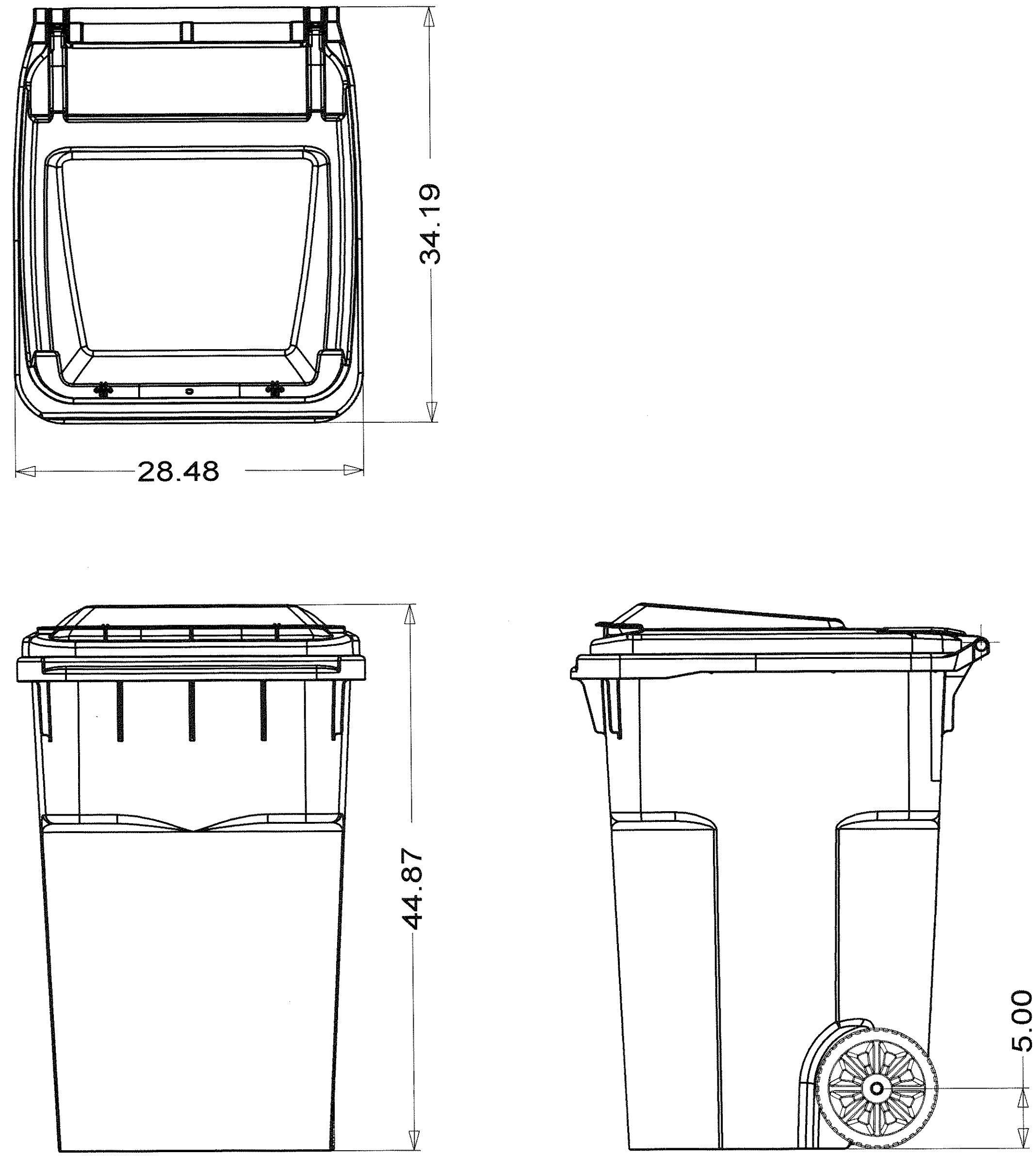
95NB ROC 10” Wheel



Rehrig Pacific Company

Since 1913

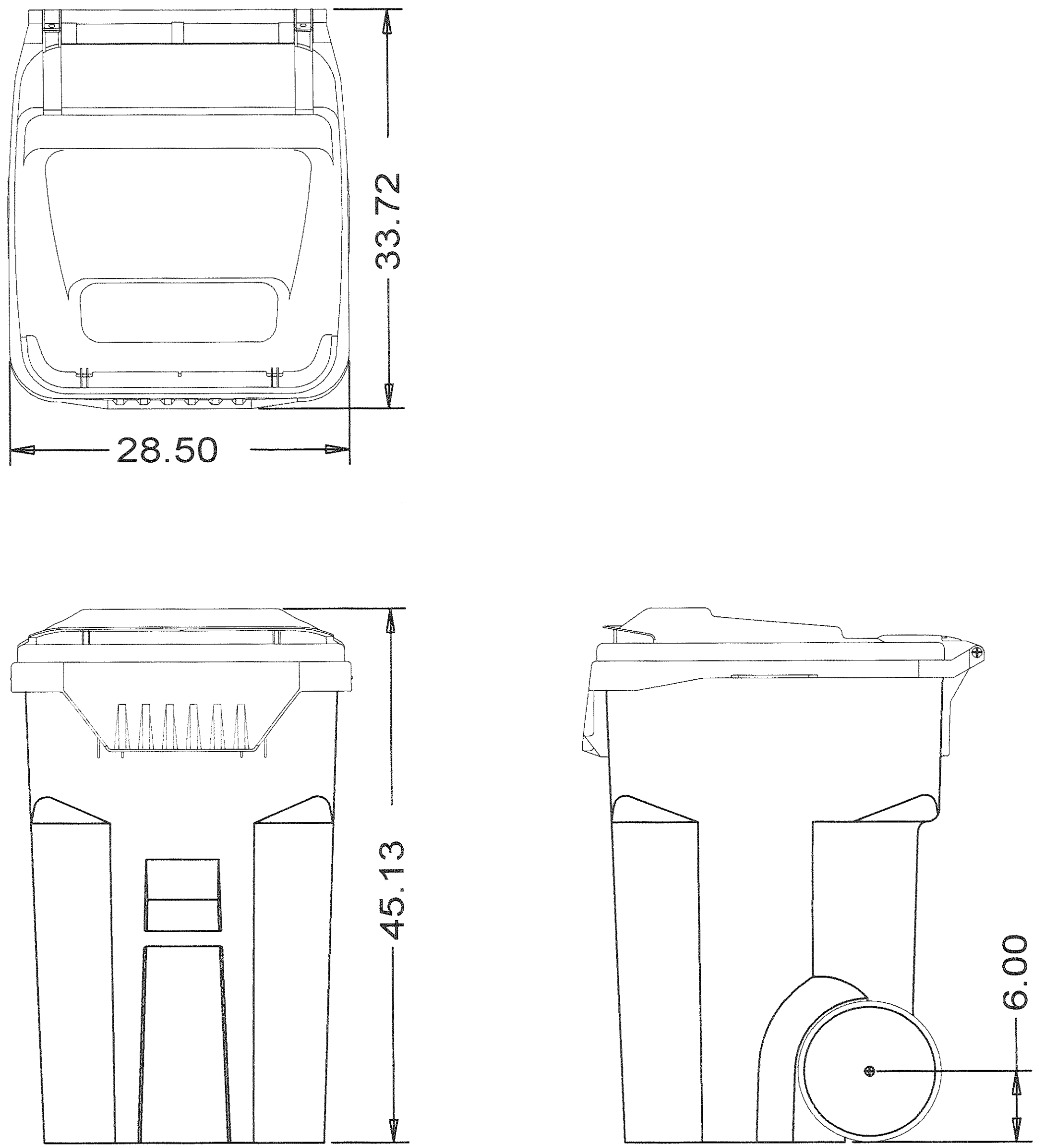
95 FA ROC 10" Wheel



Rehrig Pacific Company
Since 1913

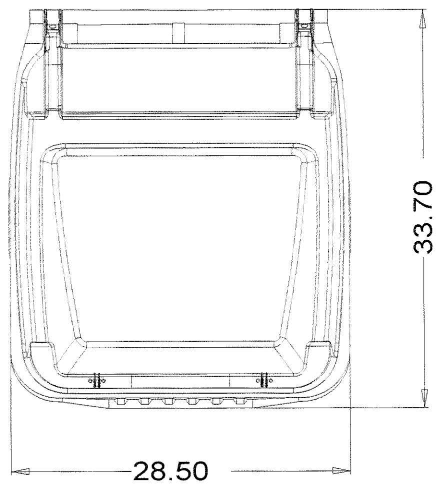
95U ROC 12" Wheel

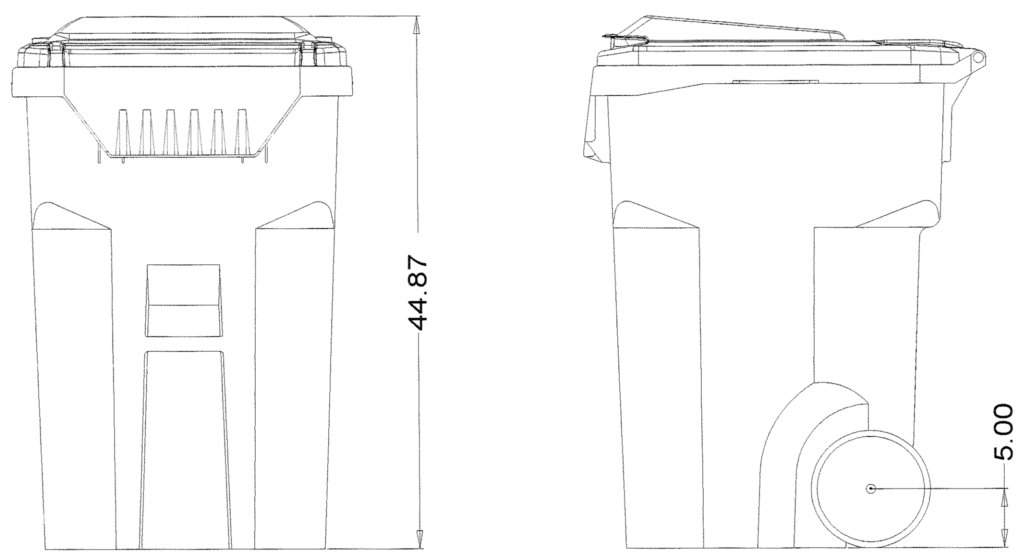
Three Tiered Lid



Rehrig Pacific Company
Since 1913

95U ROC 10” Wheel





Kingman Kansas

March 5, 2009

RE: Waste Connections Service

To Whom it May Concern:

The City of Kingman has contracted with Waste Connections for Trash Service for a number of years. Waste Connections supplies weekly curbside pickup for the residential customers. Commercial service is also available.

The staff at Waste Connections is easy to work with and is responsive to the concerns of the community. The staff responds in a timely manner, and the individual drivers that service our territory are committed to the service.

I believe that the quality of service provided by Waste Connections is very acceptable.

If you wish to contact me to discuss the service, please call 620-532-3111.

Sincerely,

Frank

Frank Soukup
City Manager

City of Kingman / P.O. Box 168 / 324 N. Main St. / Kingman, Kansas 67068-0168
City Commission meets every second and fourth Thursday of each month.
Phone: 620 532-3111 / FAX: 620 532-2147 / www.cityofkingman.com

CITY OF HALSTEAD

City Administrator (316) 835-3381
City Clerk (316) 835-2286
Police Chief (316) 835-2266
Fire / EMS Department (316) 835-2606
Public Works Director (316) 835-2743
Recreation Director (316) 835-2517
FAX (316) 835-2377
(e-mail) cityclerk@halsteadks.com

303 Main • P.O. Box 312 • Halstead, Kansas 67056-0312

February 25, 2009

TO WHOM IT MAY CONCERN:

The City of Halstead has contracted for refuse pick-up services with Waste Connections, Inc., since 1992. WCI has always provided excellent service to the citizens of Halstead and at a reasonable cost. In addition, the company is community-oriented. They assist City staff each year during our City-Wide clean up day, and they even provided the employee lunch last fall when our police chief retired.

Herschel West is District Sales Manager for Halstead. Herschel is professional in his approach, and is always willing to assist with any questions we may have. The same is true for the drivers that are in our City every Friday for trash pickup. They are competent in their jobs, and work well with residents and with City staff.

Sincerely,

J. R. Hatfield
City Administrator

City of Douglass, Kansas

322 S. Forrest
P.O. Box 412
Douglass, Kansas 67039
316-747-2109

Mayor: Mark Roberts City Clerk/Administrator: KaLyn Nethercot City Superintendent: Bill Akers

February 24, 2009

Re: Waste Connections service to the Douglass Community

To Whom It May Concern:

Please let this letter serve as a letter of reference for Waste Connections. The City of Douglass has been serviced by Waste Connections or a subsidiary company for over 10 years. We have been extremely satisfied with both the level of administrative service and the service our residential and commercial customers receive.

Herschel West, District Sales Manager, and his staff are quick to respond when we need additional information or service. He visits regularly both in person and by phone to ensure that we are satisfied customers and to keep us abreast of new developments; i.e. recycling programs and other innovations.

Waste Connections also services special event needs for our community and we have found them to be both timely and professional in these interactions.

Please contact me at 316-747-2109 if I may answer any additional questions.

Sincerely,

KaLyn Nethercot
City Clerk/Administrator

City of Clearwater

P.O. Box 453 129 E. Ross Clearwater, Kansas 67026 (620) 584-2311

March 13, 2009

To Whom I t May Concern:

The City of Clearwater has been franchising residential trash service since 2004. Franchising of residential trash has been economically beneficial to the City. The City Council has stuck with the plan that every residential customer that has water service with the City will also be required to have trash service. Currently the franchise contract is with Waste Connections. I highly recommend Waste Connections as it is very easy to work with the driver and Herschel West's staff. If there ever is a problem it is usually taken care of the same day and if not then for sure the same week.

Sincerely,

Cheryl Wright

Cheryl Wright
City Clerk
City of Clearwater

Ian Martell
City Administrator
Box 68
Eureka, KS 67045
620-583-6140

City of Eureka

March 12, 2009

Re: Waste Connections

To Whom It May Concern:

The City of Eureka has been customers of Waste Connection for approximately 10 years. We want you to know that we are very pleased with the quality of service your company provides. We sincerely appreciate your responsiveness and way you conduct business. We have recommended your company to others because of our satisfaction with your service. We look forward to doing business with you for years to come.

If you have any questions regarding this matter you may contact me at (620) 583 – 6140 or fax me at (620) 583 – 5615 during the business hours of 8:00 a.m. – 5:00 p.m. (Monday through Friday), or stop by my office located in Memorial Hall.

Sincerely,

Ian Martell
City Administrator

Kansas

Addendum A
to the RFP for Residential Solid Waste & Recyclables
Collection and Transportation Services
In Derby, Kansas
February 24, 2009

Introduction

This Addendum A contains questions posed by potential respondents to the RFP issued on January 26, 2009, along with the City's responses. Also, because the City took longer to respond to these questions than planned, the deadline to submit proposals has changed to Tuesday, March 17 at 2:00 p.m.

Q1. Page 2, Intro 2

"Participation in the recycling program contemplated by this RFP will be voluntary." If a resident opts out of recycling service, is their fee for collections services reduced to reflect their decrease in service?

A1.

No. The City intends to offer one price to include both weekly trash collection and biweekly recyclables collection.

Q2. Page 2, Intro 8

Please define records to be audited and frequency of audits.

A2.

Records include volume of recyclables collected, customer accounts including delinquency data, number of accounts using each size of trash containers, number of accounts participating in recycling, route maps, volume of trash collected, any claims filed or outstanding, financial records related only to the Derby contract, customer usage of premium services including bulky waste, roll-out, second cart, etc., and possibly other items not yet determined. The City's expectation is for an annual audit and the ability to audit on request. If you have comments or suggestions regarding records, please include them in your proposal.

Q3. Page 3, 1.2b

It is our understanding of RFP to have fully automated collection services, which would limit the pick up of bulky items due to the configuration of automated collection vehicles. Having this service would require an additional truck capable of handling bulky items, therefore increasing costs. Is this a necessary service requirement to be included in the base rate? A more favorable rate can be afforded to residents if this was a stand-alone service billed directly to resident by contractor for required items to be collected.

A3.
Because a favorable base rate to residents is of paramount concern to the City, Respondents' proposed base rate should be separated from proposed fees for pickup of bulky waste.

Q4. Page 3, 1.2 c
Is there no limit to abandoned MSW or bulky items? This seems to be open ended.

A4.
The statement that collection of abandoned MSW and bulky items is intended to be an enhanced service is listed as one of the goals of the RFP in this introductory section of the document. The issue is further detailed on page 10 in section 5.4.

Q5. Page 10, 5.4
Abandoned waste. This appears to be completely unlimited, any way to clarify quantity?

A5.
The RFP is vague in that a service level is not suggested for abandoned waste pickup. Proposals should include what Respondent considers to be a reasonable number of no-additional-charge pickups per year and the fee proposed for pick-ups in excess of that number.

Q6. Page 10, 5.4
Is there any limit on the number of City requests? Where can this abandoned waste be located? On City property, private property, or both?

A6.
The RFP is vague in that a limit is not suggested for abandoned waste pickup. Proposals should include what Respondent considers to be a reasonable number of no-additional-charge pickups per year and the fee proposed for pick-ups in excess of that number. Waste would be considered abandoned if found on any public property.

Q7. Page 7, 1st Bullet Point
Regarding illegal dumping and collection of abandoned waste, this cost would be an unfair assumption to include in residential rates per home as we cannot, nor can the City of Derby, predict what will be abandoned, nor are there limitations on what can be collected. We would prefer not to inflate our costs to cover this unforeseeable service and feel it should be removed from the RFP and negotiated as a separate item for collections.

A7.
Please provide your proposed base rate without costs for abandoned waste or illegal dumping. Separately, please provide a proposed fee for pickup of abandoned waste, including your definition of what should be included or excluded.

Q8. Page 3, 1.2c
Please define abandoned MSW and bulky items. Can this be a chargeable service, or is it supposed to be built into the residential rate? It would be difficult to build into the residential rate as we have no way of knowing how much MSW will be abandoned in the future, which could significantly increase as landfill and transfer stations regulations, in addition to environmental laws, are continually changing, which can certainly impact this type of concern. This is an unforeseeable service, and we feel it should be removed from the RFP and negotiated as a separate item for collections.

A8.
Please provide your proposed base rate without fees for abandoned MSW and bulky items. Separately, please provide a proposed fee for pickup of abandoned waste, including your definition of should be included or excluded.

Q9. Page 3, 1.2d
What is the actual count of 75 + elderly and disabled that will require rollout service?

A9.
The City does not have this information.

Q10. Page 4, 2.1
You are asking for automated MSW collection and automated recycling collection. Can we quote using non-automated trucks?

A10.
Yes, you may propose using non-automated trucks for either recycling or refuse. The City's preference is for automated trucks, especially for refuse, so a proposal for non-automated trucks should clearly explain the advantage to the City in using such vehicles.

Q11. Page 6, 3.18
It appears a contract may not be signed until June 2009 with a requested start date of July 2009. Truck manufactures and cart manufactures lead times are between 90 to 180 days. How do you wish to handle this?

A11.
Section 3.17 indicates City approval of a franchise agreement in March/April. Section 3.18 refers to the contractor's implementation of the terms of the agreement and the transition plan, which includes ordering carts and trucks. July 1, as the starting date of service, is a target and not a deadline. Proposals should include in the transition plan respondent's best ideas for ramp-up time and the best starting date of service.

Q12. Page 7, 5.2
In the Collection section, the statement is made: "Emergency service, such as storm clean up as needed." What are you looking for here? This is a wide open area. You could have

an F5 tornado like Greensburg or a severe ice storm. We can roll-off dumpster services but this could not reasonably be included in price as it is too much of an unknown.

A12.

The intent of the RFP is that the contractor would be the City's primary service provider in an emergency but not that the work would be done for no cost. Fees would be expected for services rendered in an emergency cleanup situation. Fees proposed in response to this RFP <u>should not include</u> fees for an expected emergency cleanup situation.

Q13. Page 7, 2nd Bullet Point
This cost would be an unfair assumption to include in residential rates per home as we cannot, nor the City of Derby, predict what weather and storms the City of Derby will be affected by. We would prefer not to inflate our costs to cover this unforeseeable service and feel it should be removed from the RFP and negotiated as a separate item for collections.

A13.

The intent of the RFP is that the contractor would be the City's primary service provider in an emergency but not that the work would be done for no cost. Fees would be expected for services rendered in an emergency cleanup situation. Fees proposed in response to this RFP <u>should not include</u> fees for an expected emergency cleanup situation.

Q14. Page 7, 5.2
In the Collection section, the statement is made: Compensation to current trash haulers for customer account cancelation fees." How are you going to handle Homeowners Associations which have multi-year contracts? Is this really only referencing what some haulers have as a cart pick up fee, and the successful bidder is not expected to cover remaining amount on customers' contracts?

A14.

Correct. This section refers to cart pick-up fees, which some companies call account cancelation fees. As for HOA contracts, the City is looking for respondents' proposals about how to handle group contracts as well as individual customers who have paid ahead for services from their current companies.

Q15. Page 7, 4th Bullet Point
We have no way of knowing what our competitor collection contracts are worth or what their buy-out fees for these contracts are, and we feel putting an inflated costs in our proposal to cover these unknown costs would negatively impact all bids received. We would recommend letting all other contracts expire. Upon expiration of service new service would start with Derby's contracted hauler.

A15.
If a respondent concludes that letting existing contracts expire is the best method of transition, its proposal should reflect that conclusion and include respondent's recommendations for implementation.

Q16. Page 7, 5th Bullet Point
If same pricing and service is to be provided to commercial business, will they be required to set materials curbside as residents are?

A16.
Yes. Or you may choose to offer cart roll-out service for an additional fee. Depending on location, some businesses may be served by an alley. The City's expectation is that nonresidential customers would place carts at a location where they may be easily rolled to the collection point for dumping. If a respondent has a different expectation, its proposal should reflect respondent's recommendations on this matter.

Q17. Page 7, 10th Bullet Point
Define emergencies that require 1-hour response, and does this include weekends, after business hours, and non-collection days?

A17.
Each respondent's proposal should include its definition of "emergency" and explain how they would handled, including emergencies that occur on weekends, after business hours, and on non-collection days.

Q18. Page 7, 5.2
In the Customer Service, Billing and Communications section, the RFP says "Provide quarterly billing in advance of collection service." Does this means the hauler must individually bill customer and assume collections risk for each customer? City of Derby will not be doing the billing, is that correct?

A18.
Yes, that is correct. The contractor, not the City, will bill and collect from customers The City will not be involved in billing or collections.

Q19. Page 8, 5.3
This section under "Service Fee" needs to be fully explained. What you are asking for under this section? What does each statement mean?

A19a.
Proposals should be based on respondent providing two carts of different, specified volume, and should include the charge to be made for collection of each size. The prompt in item 2 indicates that the charge of the smaller cart would be a percentage of the charge for the larger cart.

What does “Additional Service (cost/cart): *75%* of basic service fee for each size of cart” mean?

A19b.

For customers who request more than one trash cart, the charge for each additional cart should be 75% of the charge for the first cart. Respondents may propose an alternative fee structure but such proposal should include a detailed explanation of the proposed fee structure and its advantages to the City or customers.

What does “Surcharges: 1. Roll-out– Additional *50%* of the Service for a Cart (or Can equivalent) of the same capacity for individuals who do not qualify for free roll-out service” mean?

A19c.

For customers who request roll-out service but do not qualify for the free service (i.e., those 75+ years of age or disabled), the charge should be 50% of the base price for either sized cart. Respondents may propose an alternative fee structure for this service but such proposal should include a detailed explanation of the proposed fee structure and its advantages to the City or customers.

Q20. Page 9 Container column
“Alternative: cans for difficult-to-serve set-out sites” Please define, and in addition to how many set-out sites are defined as difficult and would require special cans?

A20.

Proposals should clearly describe how respondents intend to serve the “difficult-to-serve” sites, including an explanation of what would constitute such a location. The RFP is premised on the assumption is that because there are so few alleys in the City, the number of difficult-to-serve customers is very small. However, some areas do have steep slopes and may be difficult to service with carts.

Q21. Page 9 Container column
Regarding first year of service, it has been our experience that these types of programs with cart option size should be offered to residents before the start of the program and surveyed by the City. Assuming all contractors are purchasing new carts for this agreement, it would be difficult to figure our capital assumptions for cart purchase as price differs between cart sizes and not knowing how many we will need of each may produce an excess of one size and unneeded capital costs reflected in bids. Additionally, excess carts will be useless to use anywhere else because our company logo will not be on cart nor may they be our company color.

A21.

If a survey is the best method by which to determine the demand for carts of a particular size, the City is open to such a survey and to delaying implementation by the time required to complete the survey. If a respondent believes this is a significant issue, it should be included in the transition plan proposed.

Q22. Page 9 Container Column
Is has been our experience with recycling and trash collection services where residents have choice of cart size, we have found it is best to limit the quantity of trash set out for collection. Anything outside of the collection cart will be collected for additional fee. This helps with recycling participation. This gives the resident an incentive to recycle and would also create a financial incentive by reducing their trash collection cart size and recycling to avoid having to pay additional collection fees for trash.

A22.
This is a comment rather than a question. The City appreciates respondent's experience and anticipates that proposals will be informed by that experience.

Q23. Page 9, 5.3
Under "Automated Recyclables collection in carts" two carts are referenced. Why two carts? This could be one cart if single stream, correct? In this same section, you also set cost for additional recycling cart, why?

A23.
One cart for single-stream recycling is preferred. If dual stream is proposed, then two carts would be needed, which is why two carts are referenced here. The reference to a fee for additional recycling carts assumes that some customers will find their volume of recyclables requires more than one cart for each stream. The charge is set at $7.50/quarter, but if a respondent believes another charge or fee structure is better, that information should be incorporated into the proposal.

Q24. Page 9
$7.50 per cart service fee for additional carts. Is this a monthly fee per additional cart supplied to resident?

A24. The referenced fee is a quarterly fee, but respondents are free to include another charge or fee structure. If respondents believe a different price is better, that information should be incorporated into the proposal.

Q25. Page 9
Is the city requesting ownership of the carts?

A25.
Per the last sentence in Section 5.3.5, the City may direct the Contractor to transfer ownership of carts upon expiration or early termination of the contract. The intent is to reduce headaches for residents if a Contractor picks up its carts prior to a new service provider having its carts delivered. Respondents are free to propose alternatives to this arrangement.

Q26. Page 9, 5.3.4
Cart Labeling Would it be acceptable to send notices to residents rather than have carts hot stamped or stickers with the listed information as this adds significant costs and labor?

A26.
The City is open to this option being included in a proposal. Proposals including this option should note the frequency of notices and respondent's experience (or industry information) about the effectiveness of such a solution in deterring scavenging.

Q27. Page 9, 5.3.4
What exactly are you looking for as a cart label? How big? Where on container?

A27.
The size and location of the cart labels is something that has not been determined. The City is open to proposals based on respondents' experience or industry standards.

Q28. Page 9, 5.3.5
"Upon expiration or early termination of the Franchise Agreement, City may direct Contractor to transfer ownership of all serviceable carts to the City." Will there be any compensation to the Contractor for this transfer to the City? If so, will it be pro-rated based on the remaining contract length?

A28.
Proposals should assume that no compensation will be paid for a transfer that occurs upon expiration of the Franchise Agreement term. Proposals may include compensation upon early termination, including pro-rated compensation based on the remaining contract length.

Q29. Page 10, 5.8
Does the City share in the collection costs? Is termination of service allowed for delinquent accounts? Is the contractor required to pay to the City the 5% franchise administration fee on uncollected amounts?

A29.
The City does not anticipate sharing in collection costs. Termination of service would be allowed. The franchise fee will be based on revenue received and not on uncollected accounts.

Q30. Page 11, 5.13
When is the franchise administration fee paid? Annually, Quarterly, etc? In advance or in arrears? Based on actual collections or amount billed?

A30.
The fee is to be paid quarterly in arrears based on actual collections.

Q31. Page 13, 7.2.2
We have two operating subsidiaries in Kansas, one of which will be the Respondent. We assume for purposes of the RFP that the City is not interested in routine litigation that may affect other subsidiaries of our parent company that operate in other states? Please confirm. We disclose all material litigation affecting our parent company and its subsidiaries in our Securities and Exchange Commission filings, and will include a copy of such disclosures with our RFP submission.

We also assume that to the extent any employment related or other litigation or settlement or alternative dispute resolution related thereto is subject to confidentiality or non-disclosure provisions, that a Respondent and its affiliates would not be required to disclose the details of such matters? Please confirm.

A31.
The City requires disclosure of litigation concerning only the Respondent as well as disclosure of any litigation that Respondent is required to report to an agency that regulates either securities (SEC; Kansas Securities Department) or environmental matters (EPA; KDHE).

Q32. Page 13, 7.2.2
Regarding the section labeled "Certain civil contests," would the City please confirm that a Respondent may answer the first bullet point for Respondent only, not including Respondent's affiliates?

A32.
Yes.

Q33. Page 13, 7.2.2
Regarding the sections labeled "Criminal actions, Administrative actions, Public procurement or contract disputes, Revocations, and Labor disputes," may a Respondent answer the request for Respondent anywhere and Respondent's affiliates in the State of Kansas?

A33.
Yes.

Q34. Page 14, 7.2.4
Would the City please confirm that a Respondent may answer the first two bullet points for Respondent only, not including Respondent's affiliates?

A34.
Yes.

Q35. Page 15, 7.3.1
We are asked to provide "notification to Homeowner Associations and pre-paid customers of four current trash haulers." What does this mean, and what are you looking for the contractor to do?

A35.
The City requests the transition plan address the issue based on respondent's experience and best judgment. The City is aware that it will have to play a role in the transition plan. We request your proposal for the appropriate tasks for the City, the contractor, and the current service providers to accomplish during the transition – in this instance, specifically with respect to informing customers of the upcoming change is service arrangement and servicing contractor (if applicable).

Q36. Page 15, 7.3.1
"Degree of correspondence with present customer service schedules." How can we answer this when we do not know when competitors service their customers in Derby?

A36.
If there is information that you will require for a successful transition and that respondents do not currently have or cannot reasonably obtain, the transition plan should identify the information and why it is needed. If it is information that neither respondents nor the City can reasonably obtain, then the transition plan should propose one or more alternatives.

Q37. Page 16, 7.6.1
Would the City please confirm that a Respondent may submit in response to this request the audited, consolidated financial statements of its parent company, as filed with the Securities and Exchange Commission?

A37.
Yes.

Q38. Page 20, GP 7.0
Would the City please confirm that a Respondent may amend the second to last sentence of the Indemnification provision in the Franchise Agreement to accommodate the concept of comparative negligence, as set forth below?

Current: ", unless such claims, liabilities, or losses arise out of the sole negligence or willful misconduct of the City."

Revised: ", except to the extent such claims, liabilities, or losses arise out of the negligence or willful misconduct of the City, its officers, agents or employees."

A38.
See following answer for question 39.

Q39. Page 20, GP 7.0
Would the City please also clarify how Section A. General under GP 7.0 relates to the preceding indemnity provision under GP 7.0? It seems as if the first indemnity provision covers the issues detailed in the following provision and that, as listed, the following provision in Section A. General is somewhat duplicative and contradictory.

A39.
Respondent has identified an error in the RFP. Please disregard the opening paragraph of GP 7.0 and respond based on the indemnity provisions of subsections A, B and C.

Q40. Page 17, 7.6.2
Evidence of letter of credit, Can a performance bond be used instead of a letter of credit?

A40.
The City prefers a letter of credit to secure the contractor's performance. If respondents propose some other financial security, the relative merit of the alternative proposed will be one of the factors the City will consider when comparing proposals. Be advised that respondents are fee to offer more than one proposal or alternatives within their proposal documents. Such alternatives will enable the City to compare and contrast the cost/benefits to the City and/or customers.

Q41. Page 18, GP 1.7
What will the rate adjustment approval process allow as a reason for an increase in rates billed to customers? Will items such as fuel costs, wage rates, bad debts, excess abandoned waste or bulk items, changes in the number of customers, increases in the volume of waste from customers, or consumer price index be considered? Any other items to be considered?

A41.
This is a matter to be determined, although a simple formula is preferred. Please include in your proposal how you would prefer to adjust rates annually over the term of the agreement. Any factor that adversely affects the contractor's rate of return would be considered.

Q42. Page 18, GP 2.4 references solicitation number. I do not see a solicitation number anywhere on RFP.

A42.
Respondent has identified an error in the RFP. Please delete "the solicitation number," from the RFP. Our apologies for the error.

Q43. Page 26, 2.12
This paragraph references 19,000 residential cart customers and 300 nonresidential cart customers this is different from page 2 Intro 3 where it says there are approximately 7,584 residential accounts.

A43.
Respondent has identified an error in the RFP. The number of 7,584 listed on page 2 is correct. Our apologies for the error.

Q44. Page 31A
Will an RFP response be disqualified if respondent does not fully disclose operating costs as out lined in excel justification sheet sent out with RFP?

A44.
Not necessarily. The City prefers that respondents use this form. Our intent is to ensure that proposals are compared "apples to apples." Use of a spreadsheet that includes substantial information will be considered in the context of the overall proposal to meet the goals stated in Section 1.0 on pages 3-4.

Q45.
Can the City provide any information on the expected compensation to current trash haulers for customer account cancellation fees? Will it be a set amount per customer, or will it be based on the fee stated in the customer's contract? What type of proof, if any, will be required from the cancelled party? When will the cancellation payments to the current trash haulers be required to be made? What will be the dispute resolution process if current trash haulers disagree with the cancellation fees they receive?

A45.
The City is open to respondents' proposals on all these matters. The City has made no decisions on these matters at this point in time.

Q46.
Did the Advisory Board complete a survey of Derby residents to determine that curbside recycling and Franchising were the most popular alternatives for the City of Derby?

a) If yes, then may we get a copy of the survey to see what questions were asked?
b) If yes, how many Derby residents were surveyed?
c) If yes, the choice to Franchise trash and recycling to one company--was that a preferred option in the survey, or was it a choice of the Advisory Board and/or the City Council?
d) If not, are there area residents that are not aware that the selection of one Contractor will eliminate competition and provide the selected Contractor with a monopoly? Which will put the businesses not selected out of business? (as suggested by Derby Disposal's mailing on 2/13/09) (From RFP Section GP 1.7)

A46.
No, a survey was not performed. The City has engaged in mass communications with the residents several times over the past seven months about the opportunities available to the City to reduce long-term costs, provide a quality recycling program, and reduce wear-and-tear on streets. The City is engaging in a competitive process to select a waste hauler and will do so periodically to ensure competition. The City will not comment on the mailer sent by Derby Disposal and Lies Trash Service other than to say it included inflammatory statements of opinion rather than facts.

Q47.
How much does the City Council expect the rates to increase per month per family when the recycling is combined with the trash service?

A47. The expectation at this point is that notwithstanding addition of recycling service, some residents may see a reduction in their monthly bill while others may not. Because substantial variation currently exists in charges paid by residents for trash and recycling services, not all residents will experience the same financial effect.

Q48.
How will the curb-side collection of recycled materials be handled for those in apartments?

A48.
This RFP applies only to residential customers served by carts, not to commercial ones served by dumpsters/bins. This RFP does not contemplate a recycling program for apartment complexes.

Q49.
Why did the Advisory Board settle on only four materials to be recycled?

A49.
The recyclable items included in the RFP include those currently accepted by the processing facility in Wichita from all licensed haulers that have expressed interest in responding to the RFP. The list is not intended to be exclusive; rather, it represents a base level of service which all potential respondents should be able to provide.

Q50.
How many Derby families does the council expect to take part in the recycling effort?

A50.
Unknown. The City has no preconceived expectation. Research indicates that the simpler and easier a recycling program is, the more participation it will generate. Public input over an extended period has shown that a recycling program, or the

absence thereof, has been a concern for many Derby families for the past several years.

Q51.
Isn't this more of the same, where the public has to pay for recycling because no feasible plan to make recycling pay for itself has been found?

A51.
Like any program to dispose of solid waste, the producer of the waste is now and should be responsible for its disposal.

Q52.
How does the performance bond work, since it was only slightly mentioned in the RFP Section GP 6.0?

A52.
A performance bond would obligate another party (the surety) to step into the shoes of the contractor under specified circumstances – typically when the contractor has materially breached the agreement. When a claim is made based on a performance bond, the principal (City) notifies the surety of the breach and demands that the surety complete the contractor's performance. Performance bonds work well and are generally employed when contracting for construction of a building or improvement. The can be used in connection with a service contract but are less well adapted to this purpose.

Conclusion
It is the City's hope that these responses to questions have been helpful. Proposals are due Tuesday, March 17 at 2:00 p.m. If further questions arise, please advise Kathy Sexton, City Manager, via email at kathysexton@derbyweb.com.

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 EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

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

For the transition period from __________ to __________

Commission File No. 1-31507

WASTE CONNECTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-3283464 (I.R.S. Employer Identification No.)
35 Iron Point Circle Suite 200 Folsom, California (Address of principal executive offices)	95630 (Zip Code)

(916) 608-8200
(Registrant's telephone number, including area code)

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

Common Stock, par value $.01 per share	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 ☐ Smaller reporting company

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

As of June 30, 2008, the aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, based on the closing sales price for the registrant's common stock, as reported on the New York Stock Exchange, was $2,102,628,497.

Number of shares of common stock outstanding as of January 23, 2009: 79,856,318

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2009 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

WASTE CONNECTIONS, INC.
ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

Our Company

Waste Connections, Inc. is an integrated solid waste services company that provides solid waste collection, transfer, disposal and recycling services in mostly secondary markets in the Western and Southern U.S. We serve approximately 1.8 million residential, commercial and industrial customers from operations in 23 states: Alabama, Arizona, California, Colorado, Idaho, Illinois, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington and Wyoming. As of December 31, 2008, we owned or operated a network of 135 solid waste collection operations, 52 transfer stations, 34 recycling operations and 37 active landfills. In addition, we provided intermodal services for the rail haul movement of solid waste and cargo containers in the Pacific Northwest through a network of six intermodal facilities.

We are a leading provider of solid waste services in most of our markets. We have focused on secondary markets mostly in the Western and Southern U.S. because we believe that those areas offer:

- opportunities to enter into exclusive arrangements;
- more competitive barriers to entry;
- less competition from larger solid waste services companies;
- projected economic and population growth rates that will contribute to the growth of our business; and
- a number of independent solid waste services companies suitable for acquisition.

Our senior management team has extensive experience in operating, acquiring and integrating solid waste services businesses, and we intend to continue to focus our efforts on balancing internal and acquisition-based growth. We anticipate that a part of our future growth will come from acquiring additional solid waste collection, transfer and disposal businesses and, therefore, we expect that additional acquisitions could continue to affect period-to-period comparisons of our operating results.

Waste Connections, Inc. is a Delaware corporation organized in 1997.

Our Operating Strategy

Our operating strategy seeks to improve financial returns and deliver superior stockholder value creation within the solid waste industry. We seek to avoid highly competitive, large urban markets and instead target markets where we can provide non-integrated or integrated solid waste services under exclusive arrangements or where we can operate on an integrated basis while attaining high market share. The key components of our operating strategy, which are tailored to the competitive and regulatory factors that affect our markets, are as follows:

Control the Waste Stream. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally funded or available at multiple municipal sources, we believe that controlling the waste stream by providing collection services is often more important to our profitability and growth than owning or operating landfills. In addition, contracts in some Western U.S. markets dictate the disposal facility to be used. The large size of many western states increases the cost of interstate and long haul disposal, heightening the effects of regulations that direct waste disposal, which may make it more difficult for a landfill to obtain the disposal volume necessary to operate profitably. In markets with these characteristics, we believe that landfill ownership or vertical integration is not as critical to our success.

Provide Vertically Integrated Services. In markets where we believe that owning landfills is a strategic element to a collection operation because of competitive and regulatory factors, we generally focus on providing integrated services, from collection through disposal of solid waste in landfills that we own or operate.

Manage on a Decentralized Basis. We manage our operations on a decentralized basis. This places decision-making authority close to the customer, enabling us to identify and address customers' needs quickly in a cost-effective manner. We believe that decentralization provides a low-overhead, highly efficient operational structure that allows us to expand into geographically contiguous markets and operate in relatively small communities that larger competitors may not find attractive. We believe that this structure gives us a strategic competitive advantage, given the relatively rural nature of much of the Western and Southern U.S., and makes us an attractive buyer to many potential acquisition candidates.

We currently deliver our services from approximately 147 operating locations grouped into three regions. We manage and evaluate our business on the basis of the regions' geographic characteristics, interstate waste flow, revenue base, employee base, regulatory structure and acquisition opportunities. Each region has a regional vice president and a regional controller, reporting directly to our corporate management. These regional officers are responsible for operations and accounting in their regions and supervise their regional staff.

Each operating location has a district or site manager who has autonomous service and decision-making authority for his or her operations and is responsible for maintaining service quality, promoting safety, implementing marketing programs and overseeing day-to-day operations, including contract administration. Local managers also help identify acquisition candidates and are responsible for integrating acquired businesses into our operations and obtaining the permits and other governmental approvals required for us to operate.

Implement Operating Standards. We develop company-wide operating standards, which are tailored for each of our markets based on industry norms and local conditions. We implement cost controls and employee training and safety procedures and establish a sales and marketing plan for each market. By internalizing the waste stream of acquired operations, we can further increase operating efficiencies and improve capital utilization. We use a wide-area information system network, implement financial controls and consolidate certain accounting, personnel and customer service functions. While regional and district management operate with a high degree of autonomy, our senior officers monitor regional and district operations and require adherence to our accounting, purchasing, marketing and internal control policies, particularly with respect to financial matters. Our executive officers regularly review the performance of regional officers, district managers and operations. We believe we can improve the profitability of existing and newly acquired operations by establishing operating standards, closely monitoring performance and streamlining certain administrative functions.

Our Growth Strategy

We tailor the components of our growth strategy to the markets in which we operate and into which we hope to expand.

Obtain Additional Exclusive Arrangements. Our operations include market areas where we have exclusive arrangements, including franchise agreements, municipal contracts and governmental certificates, under which we are the exclusive service provider for a specified market. These exclusive rights and contractual arrangements create a barrier to entry that is usually obtained through the acquisition of a company with such exclusive rights or contractual arrangements or by a competitive bid.

We devote significant resources to securing additional franchise agreements and municipal contracts through competitive bidding and by acquiring other companies. In bidding for franchises and municipal contracts and evaluating acquisition candidates holding governmental certificates, our management team draws on its experience in the waste industry and knowledge of local service areas in existing and target markets. Our district management and sales and marketing personnel maintain relationships with local governmental officials within their service areas, maintain, renew and renegotiate existing franchise agreements and municipal contracts, and secure additional agreements and contracts while targeting acceptable financial returns. Our sales and marketing personnel also expand our presence into areas adjacent to or contiguous with our existing markets, and market additional services to existing customers. We believe our ability to offer comprehensive rail haul disposal services in the Pacific Northwest improves our competitive position in bidding for such contracts in that region.

Generate Internal Growth. To generate continued internal revenue growth, our district management and sales and marketing personnel focus on increasing market penetration in our current and adjacent markets, soliciting new residential, commercial and industrial customers in markets where such customers have the option to choose a particular waste collection service and marketing upgraded or additional services (such as compaction or automated collection) to existing customers. We also focus on raising prices and instituting surcharges, when appropriate, to offset cost increases. Where possible, we intend to leverage our franchise-based platforms to expand our customer base beyond our exclusive market territories. As customers are added in existing markets, our revenue per routed truck increases, which generally increases our collection efficiencies and profitability. In markets in which we have exclusive contracts, franchises and certificates, we expect internal volume growth generally to track population and business growth.

Expand Through Acquisitions. We intend to expand the scope of our operations by continuing to acquire solid waste companies in new markets and in existing or adjacent markets that are combined with or "tucked in" to our existing operations. We focus our acquisition efforts on markets that we believe provide significant growth opportunities for a well-capitalized market entrant and where we can create economic and operational barriers to entry by new competitors. This focus typically highlights markets in which we can either: (1) provide waste collection services under franchises, exclusive contracts or other arrangements; or (2) gain a leading market position and provide vertically integrated collection and disposal services. We believe that our experienced management, decentralized operating strategy, financial strength, size and public company status make us an attractive buyer to certain solid waste collection and disposal acquisition candidates. We have developed an acquisition discipline based on a set of financial, market and management criteria to evaluate opportunities. Once an acquisition is closed, we seek to integrate it while minimizing disruption to the ongoing operations of both Waste Connections and the acquired business.

In new markets, we often use an initial acquisition as an operating base and seek to strengthen the acquired operation's presence in that market by providing additional services, adding new customers and making "tuck-in" acquisitions of other solid waste companies in that market or adjacent markets. We believe that many suitable "tuck-in" acquisition opportunities exist within our current and targeted market areas that may provide us with opportunities to increase our market share and route density.

The U.S. solid waste services industry experienced significant consolidation during the 1990s. The consolidation trend has continued, most notably with the recent merger between Republic Services, Inc. and Allied Waste Industries, Inc. The solid waste services industry remains regional in nature with acquisition opportunities available in selected markets. Some of the remaining independent landfill and collection operators lack the capital resources, management skills and/or technical expertise necessary to comply with stringent environmental and other governmental regulations and compete with larger, more efficient, integrated operators. In addition, many of the remaining independent operators may wish to sell their businesses to achieve liquidity in their personal finances or as part of their estate planning. Due to the prevalence of exclusive arrangements, we believe the Western markets contain the largest and most attractive number of acquisition opportunities. In addition, the recent merger between Republic Services, Inc. and Allied Waste Industries, Inc. will result in additional acquisition opportunities through governmentally-mandated divestitures. For example, on February 6, 2009, we entered into an Asset Purchase Agreement with Republic Services in connection with the sale of certain assets Republic Services was required to divest pursuant to a court order issued in connection with the merger between Republic Services and Allied. For additional information, see Part II, Item 9B of this Annual Report on Form 10-K.

During the year ended December 31, 2007, we completed 15 acquisitions, none of which individually or in the aggregate accounted for greater than 10% of our total assets. On November 3, 2008, we completed the acquisition of all of the outstanding capital stock of Harold LeMay Enterprises, Incorporated for an aggregate purchase price of $210.9 million, which amount includes the assumption of $18.3 million of indebtedness. During the year ended December 31, 2008, we completed 14 other acquisitions and acquired the remaining 49% interest in Pierce County Recycling, Composting and Disposal, LLC and Pierce County Landfill Management, Inc. ("PCRCD"), none of which individually or in the aggregate accounted for greater than 10% of our total assets.

SOLID WASTE SERVICES

Residential, Commercial and Industrial Collection Services

We serve approximately 1.8 million residential, commercial and industrial customers from operations in 23 states. Our services are generally provided under one of the following arrangements: (1) governmental certificates; (2) exclusive franchise agreements; (3) exclusive municipal contracts; (4) residential subscriptions; (5) residential contracts; or (6) commercial and industrial service agreements.

Governmental certificates, exclusive franchise agreements and exclusive municipal contracts grant us rights to provide services within specified areas at established rates. Governmental certificates, or G Certificates, are unique to the State of Washington. The Washington Utilities and Transportation Commission, or the WUTC, awards G Certificates to solid waste collection service providers in unincorporated areas and electing municipalities. These certificates typically grant the holder the exclusive and perpetual right to provide specific residential, commercial and/or industrial waste services in a defined territory at specified rates subject to divestiture and/or cancellation by the WUTC on specified limited grounds. Franchise agreements typically provide an exclusive period of seven years or longer for a specified territory. These arrangements specify a broad range of services to be provided, establish rates for the services and often give the service provider a right of first refusal to extend the term of the agreement. Municipal contracts typically provide a shorter service period and a more limited scope of services than franchise agreements and generally require competitive bidding at the end of the contract term. We do not expect that the loss of any current contracts in negotiation for renewal or contracts likely to terminate in 2009 will have a material adverse effect on our revenues or cash flows. No single contract or customer accounted for more than 5% of our total revenues for the years ended December 31, 2007 and 2008.

We provide residential solid waste services, other than those we perform under exclusive arrangements, under contracts with homeowners' associations, apartment owners, mobile home park operators or on a subscription basis with individual households. We set base residential fees on a contract basis primarily based on route density, the frequency and level of service, the distance to the disposal or processing facility, weight and type of waste collected, type of equipment and containers furnished, the cost of disposal or processing and prices charged by competitors in that market for similar services. Collection fees are paid either by the municipalities from tax revenues or directly by the residents receiving the services. We provide 20- to 96-gallon carts to residential customers.

We provide commercial and industrial services, other than those we perform under exclusive arrangements, under customer service agreements generally ranging from one to five years in duration. We determine fees under these agreements by such factors as collection frequency, level of service, route density, the type, volume and weight of the waste collected, type of equipment and containers furnished, the distance to the disposal or processing facility, the cost of disposal or processing and prices charged by competitors in our collection markets for similar services. Collection of larger volumes of commercial and industrial waste streams generally helps improve our operating efficiencies, and consolidation of these volumes allows us to negotiate more favorable disposal prices. We provide one- to ten-cubic yard containers to commercial customers and ten- to 50-cubic yard containers to industrial customers. For an additional fee, we install on the premises of large volume customers stationary compactors that compact waste prior to collection.

Landfill Disposal Services

We own solid waste landfills to achieve vertical integration in markets where the economic and regulatory environments make landfill ownership attractive. Where our operations are vertically integrated, we eliminate third-party disposal costs and generally realize higher margins and stronger operating cash flows. The fees charged at disposal facilities, which are known as tipping fees, are based on market factors and take into account the type and weight or volume of solid waste deposited and the type and size of the vehicles used to transport waste.

Our landfill facilities consisted of the following at December 31, 2008:

Owned and operated landfills	27
Operated landfills under limited-term operating agreements	7
Operated landfills under life-of-site agreements	3
	37

We own landfills in California, Colorado, Illinois, Kansas, Kentucky, Minnesota, Mississippi, Nebraska, New Mexico, Oklahoma, Oregon, Tennessee and Washington. In addition, we operate, but do not own, landfills in California, Mississippi, Nebraska and New Mexico. With the exception of two landfills located in Mississippi and Colorado, which only accept construction and demolition waste, all landfills that we own or operate are municipal solid waste landfills.

Under landfill operating agreements, the owner of the property, generally a municipality, usually owns the permit and we operate the landfill for a contracted term, which may be the life of the landfill. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. We are responsible for all final capping, closure and post-closure obligations at the three operated landfills for which we have life-of-site agreements. Our operating contracts for which the contracted term is less than the life of the landfill have expiration dates from 2009 to 2018. One contract expiring in 2009 represents estimated annual revenues of $2.4 million and is not expected to be renewed. For all other operated landfills under limited-term operating agreements, we intend to seek renewal of these contracts prior to, or upon, their expiration.

Based on remaining permitted capacity as of December 31, 2008, and projected annual disposal volumes, the average remaining landfill life for our owned and operated landfills and landfills operated, but not owned, under life-of-site agreements, is estimated to be approximately 48 years. Many of our existing landfills have the potential for expanded disposal capacity beyond the amount currently permitted. We monitor the available permitted in-place disposal capacity of our landfills on an ongoing basis and evaluate whether to seek capacity expansion. In making this evaluation, we consider various factors, including the following:

- whether the land where the expansion is being sought is contiguous to the current disposal site, and whether we either own it or the property is under an option, purchase, operating or other similar agreement;
- whether total development costs, final capping costs, and closure/post-closure costs have been determined;
- whether internal personnel have performed a financial analysis of the proposed expansion site and have determined that it has a positive financial and operational impact;
- whether internal personnel or external consultants are actively working to obtain the necessary approvals to obtain the landfill expansion permit; and
- whether we consider it probable that we will achieve the expansion (for a pursued expansion to be considered probable, there must be no significant known technical, legal, community, business or political restrictions or similar issues existing that could impair the success of the expansion).

We also regularly consider whether it is advisable, in light of changing market conditions and/or regulatory requirements, to seek to expand or change the permitted waste streams or to seek other permit modifications. We are currently seeking to expand permitted capacity at five of our landfills for which we consider expansions to be probable. Although we cannot be certain that all future expansions will be permitted as designed, the average remaining landfill life for our owned and operated landfills and landfills operated, but not owned, under life-of-site agreements is estimated to be approximately 53 years when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume.

The following table reflects estimated landfill capacity and airspace changes, as measured in tons, for owned and operated landfills and landfills operated, but not owned, under life-of-site agreements (in thousands):

	2007			2008		
	Permitted	**Probable Expansion**	**Total**	**Permitted**	**Probable Expansion**	**Total**
Balance, beginning of year	384,454	30,340	414,794	401,095	28,430	429,525
Acquired landfills	16,088	7,028	23,116	5,100	-	5,100
Permits granted	6,826	(6,826)	-	7,028	(7,028)	-
Airspace consumed	(8,238)	-	(8,238)	(8,320)	-	(8,320)
Pursued expansions	-	-	-	-	15,456	15,456
Changes in engineering estimates	1,965	(2,112)	(147)	(4,523)	-	(4,523)
Balance, end of year	401,095	28,430	429,525	400,380	36,858	437,238

The estimated remaining operating lives for the landfills we own and landfills we operate under life-of-site agreements, based on remaining permitted and probable expansion capacity and projected annual disposal volume, in years, as of December 31, 2007, and December 31, 2008, are shown in the tables below. The estimated remaining operating lives include assumptions that the operating permits are renewed.

	2007						
	0 to 5	**6 to 10**	**11 to 20**	**21 to 40**	**41 to 50**	**51+**	**Total**
Owned and operated landfills	1	-	5	6	2	11	25
Operated landfills under life-of-site agreements	-	-	-	2	-	1	3
	1	-	5	8	2	12	28

	2008						
	0 to 5	**6 to 10**	**11 to 20**	**21 to 40**	**41 to 50**	**51+**	**Total**
Owned and operated landfills	1	-	5	7	2	12	27
Operated landfills under life-of-site agreements	-	-	-	2	1	-	3
	1	-	5	9	3	12	30

The disposal tonnage that we received in 2007 and 2008 at all of our landfills is shown in the tables below (tons in thousands):

	Three months ended								Twelve months ended
	March 31, 2007		June 30, 2007		September 30, 2007		December 31, 2007		December 31, 2007
	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	
Owned landfills or landfills operated under life-of-site agreements	28	1,769	28	2,122	30	2,211	28	2,136	8,238
Operated landfills	8	245	8	261	7	244	7	234	984
	36	2,014	36	2,383	37	2,455	35	2,370	9,222

	Three months ended								Twelve months ended
	March 31, 2008		June 30, 2008		September 30, 2008		December 31, 2008		December 31, 2008
	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	
Owned landfills or landfills operated under life-of-site agreements	29	1,972	29	2,204	29	2,235	30	1,909	8,320
Operated landfills	7	222	7	236	7	236	7	211	905
	36	2,194	36	2,440	36	2,471	37	2,120	9,225

Transfer Station Services

We have an active program to acquire, develop, own and operate transfer stations in markets proximate to our collection operations. Transfer stations receive, compact and load solid waste to be transported to landfills via truck, rail or barge. Transfer stations extend our direct-haul reach and link collection operations with distant disposal facilities. We owned or operated 52 transfer stations at December 31, 2008. Currently, we own transfer stations in California, Colorado, Kansas, Kentucky, Montana, Nebraska, Oklahoma, Oregon, Tennessee and Washington. In addition, we operate, but do not own, transfer stations in Idaho, Kentucky, Nebraska, Tennessee, Washington and Wyoming. We believe that transfer stations benefit us by:

- concentrating the waste stream from a wider area, which increases the volume of disposal at our landfill facilities and gives us greater leverage in negotiating more favorable disposal rates at other landfills;
- improving utilization of collection personnel and equipment; and
- building relationships with municipalities and private operators that deliver waste, which can lead to additional growth opportunities.

Recycling Services

We offer residential, commercial, industrial and municipal customers recycling services for a variety of recyclable materials, including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. We own or operate 34 recycling processing operations and sell other collected recyclable materials to third parties for processing before resale. The majority of the recyclables we process for sale are paper products and are shipped to customers in Asia. Changes in end market demand can cause fluctuations in the prices for such commodities, which can affect revenue, operating income and cash flows. Sales prices of and demand for paper products declined beginning in the fourth quarter of 2008. Certain of our municipal recycling contracts in Washington specify certain benchmark resale prices for recycled commodities. To the extent the prices we actually receive for the processed recycled commodities collected under those contracts exceed the prices specified in the contracts, we share the excess with the municipality, after recovering any previous shortfalls resulting from actual market prices falling below the prices specified in the contracts. To reduce our exposure to commodity price volatility and risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. We believe that recycling will continue to be an important component of local and state solid waste management plans due to the public's increasing environmental awareness and expanding regulations that mandate or encourage recycling.

INTERMODAL SERVICES

Intermodal logistics is the movement of containers using two or more modes of transportation, usually including a rail or truck segment. In November 2004, we entered the intermodal services business in the Pacific Northwest through the acquisition of

Northwest Container Services, Inc., which provides repositioning, storage, maintenance and repair of cargo containers for international shipping companies. We provide these services for containerized cargo primarily to international shipping companies importing and exporting goods through the Pacific Northwest. We also operate two intermodal facilities primarily for the shipment of waste by rail to distant disposal facilities that are not owned or operated by Waste Connections. As of December 31, 2008, we owned or operated six intermodal operations in Washington and Oregon. Our fleet of double-stack railcars provides dedicated direct-line haul services among terminals in Portland, Tacoma and Seattle. We have contracts with the Burlington Northern Santa Fe and Union Pacific railroads for the movement of containers among our six intermodal operations. We also provide our customers container and chassis sales and leasing services.

We intend to further expand our intermodal business through cross-selling efforts with our solid waste services operations. We believe that a significant amount of solid waste is transported currently by truck, rail and barge from primarily the Seattle-Tacoma and Metro Portland areas to remote landfills in Eastern Washington and Eastern Oregon. We believe our ability to market both intermodal and disposal services will enable us to more effectively compete for these volumes.

COMPETITION

The solid waste services industry is highly competitive and requires substantial labor and capital resources. In addition to us, the industry includes: two national, publicly-held solid waste companies – Republic Services, Inc. and Waste Management, Inc.; several regional, publicly-held and privately-owned companies; and several thousand small, local, privately-owned companies. Certain of the markets in which we compete or will likely compete are served by one or more large, national solid waste companies, as well as by numerous regional and local solid waste companies of varying sizes and resources, some of which we believe have accumulated substantial goodwill in their markets. We also compete with operators of alternative disposal facilities, including incinerators, and with counties, municipalities and solid waste districts that maintain their own waste collection and disposal operations. Public sector operators may have financial advantages over us because of their access to user fees and similar charges, tax revenues and tax-exempt financing.

We compete for collection, transfer and disposal volume based primarily on the price and, to a lesser extent, quality of our services. From time to time, competitors may reduce the price of their services in an effort to expand their market shares or service areas or to win competitively bid municipal contracts. These practices may cause us to reduce the price of our services or, if we elect not to do so, to lose business. We provide a significant amount of our residential, commercial and industrial collection services under exclusive franchise and municipal contracts and G Certificates. Exclusive franchises and municipal contracts may be subject to periodic competitive bidding.

The U.S. solid waste services industry has undergone significant consolidation, and we encounter competition in our efforts to acquire collection operations, transfer stations and landfills. We generally compete for acquisition candidates with publicly-owned regional and national waste management companies. Accordingly, it may become uneconomical for us to make further acquisitions or we may be unable to locate or acquire suitable acquisition candidates at price levels and on terms and conditions that we consider appropriate, particularly in markets we do not already serve. Competition in the disposal industry is also affected by the increasing national emphasis on recycling and other waste reduction programs, which may reduce the volume of waste deposited in landfills.

The intermodal services industry is also highly competitive. We compete against other intermodal rail services companies, trucking companies and railroads, many of which have greater financial and other resources than we do. Competition is based primarily on price, reliability and quality of service.

REGULATION

Introduction

Our operations, including landfills, solid waste transportation, transfer stations, vehicle maintenance shops and fueling facilities, are all subject to extensive and evolving federal, state and local environmental laws and regulations, the enforcement of which has become increasingly stringent. The environmental regulations that affect us are administered by the Environmental Protection Agency, or the EPA, and other federal, state and local environmental, zoning, health and safety agencies. The WUTC regulates the portion of our collection business in Washington performed under G Certificates. We currently comply in all material respects with applicable federal, state and local environmental laws, permits, orders and regulations. In addition, we attempt to anticipate future regulatory requirements and plan in advance as necessary to comply with them. We do not presently anticipate incurring any material costs to bring our operations into environmental compliance with existing or expected future regulatory requirements, although we can give no assurance that this will not change in the future.

The principal federal, state and local statutes and regulations that apply to our operations are described below. Certain of the statutes described below contain provisions that authorize, under certain circumstances, lawsuits by private citizens to enforce the provisions of the statutes. In addition to penalties, some of those statutes authorize an award of attorneys' fees to parties that successfully bring such an action. Enforcement actions under these statutes may include both civil and criminal penalties, as well as injunctive relief in some instances.

The Resource Conservation and Recovery Act of 1976, or RCRA

RCRA regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. RCRA divides solid waste into two groups, hazardous and nonhazardous. Wastes are generally classified as hazardous if they either: (1) are specifically included on a list of hazardous wastes; or (2) exhibit certain characteristics defined as hazardous. Household wastes are specifically designated as nonhazardous. Wastes classified as hazardous under RCRA are subject to much stricter regulation than wastes classified as nonhazardous, and businesses that deal with hazardous waste are subject to regulatory obligations in addition to those imposed on handlers of nonhazardous waste. From time to time, our intermodal services business transports hazardous materials in compliance with federal transportation requirements. Some of our ancillary operations, such as vehicle maintenance operations, may generate hazardous wastes. We manage these wastes in substantial compliance with applicable laws.

In October 1991, the EPA adopted the Subtitle D Regulations governing solid waste landfills. The Subtitle D Regulations, which generally became effective in October 1993, include location restrictions, facility design standards, operating criteria, closure and post-closure requirements, financial assurance requirements, groundwater monitoring requirements, groundwater remediation standards and corrective action requirements. In addition, the Subtitle D Regulations require that new landfill sites meet more stringent liner design criteria (typically, composite soil and synthetic liners or two or more synthetic liners) intended to keep leachate out of groundwater and have extensive collection systems to carry away leachate for treatment prior to disposal. Groundwater monitoring wells must also be installed at virtually all landfills to monitor groundwater quality and, indirectly, the effectiveness of the leachate collection system. The Subtitle D Regulations also require, where certain regulatory thresholds are exceeded, that facility owners or operators control emissions of methane gas generated at landfills in a manner intended to protect human health and the environment. Each state is required to revise its landfill regulations to meet these requirements or such requirements will be automatically imposed by the EPA on landfill owners and operators in that state. Each state is also required to adopt and implement a permit program or other appropriate system to ensure that landfills in the state comply with the Subtitle D Regulations. Various states in which we operate or may operate in the future have adopted regulations or programs as stringent as, or more stringent than, the Subtitle D Regulations.

RCRA also regulates underground storage of petroleum and other regulated materials. RCRA requires registration, compliance with technical standards for tanks, release detection and reporting, and corrective action, among other things. Certain of our facilities and operations are subject to these requirements.

The Federal Water Pollution Control Act of 1972, or the Clean Water Act

The Clean Water Act regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites and transfer stations, into waters of the United States. If run-off from our owned or operated transfer stations or run-off or collected leachate from our owned or operated landfills is discharged into streams, rivers or other surface waters, the Clean Water Act would require us to apply for and obtain a discharge permit, conduct sampling and monitoring and, under certain circumstances, reduce the quantity of pollutants in such discharge. Also, virtually all landfills are required to comply with the EPA's storm water regulations issued in November 1990, which are designed to prevent contaminated landfill storm water run-off from flowing into surface waters. We believe that our facilities comply in all material respects with the Clean Water Act requirements. Various states in which we operate or may operate in the future have been delegated authority to implement the Clean Water Act permitting requirements, and some of these states have adopted regulations that are more stringent than the federal Clean Water Act requirements. For example, states often require permits for discharges that may impact ground water as well as surface water.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or CERCLA

CERCLA established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, any person who arranges for the transportation, disposal or treatment of the hazardous substances, and the transporters who select the disposal and treatment facilities, regardless of the care exercised by such persons. CERCLA also imposes liability for the cost of evaluating and remedying any damage to natural resources. The costs of CERCLA investigation and cleanup can be very substantial. Liability under CERCLA does not depend on the existence or disposal of "hazardous waste" as defined by RCRA; it can also be based on the release of even very small amounts of the more than 700 "hazardous substances" listed by the EPA, many of which can be found in household waste. In addition, the definition of "hazardous substances" in CERCLA incorporates substances designated as hazardous or toxic under the federal Clean Water Act, Clear Air Act and Toxic Substances Control Act. If we were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold us, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs, even if others were also liable. CERCLA also authorizes the imposition of a lien in favor of the United States on all real property subject to, or affected by, a remedial action for all costs for which a party is liable. Subject to certain procedural restrictions, CERCLA gives a responsible party the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. Our ability to obtain reimbursement from others for their allocable shares of such costs would be limited by our ability to find other responsible parties and prove the extent of their responsibility, their financial resources, and other procedural requirements. Various state laws also impose strict joint and several liability for investigation, cleanup and other damages associated with hazardous substance releases.

The Clean Air Act

The Clean Air Act generally, through state implementation of federal requirements, regulates emissions of air pollutants from certain landfills based on factors such as the date of the landfill construction and tons per year of emissions of regulated pollutants. Larger landfills and landfills located in areas where the ambient air does not meet certain requirements of the Clean Air Act may be subject to even more extensive air pollution controls and emission limitations. In addition, the EPA has issued standards regulating the disposal of asbestos-containing materials. Air permits may be required to construct gas collection and flaring systems and composting operations, and operating permits may be required, depending on the potential air emissions. State air regulatory programs may implement the federal requirements but may impose additional restrictions. For example, some state air programs uniquely regulate odor and the emission of toxic air pollutants.

Climate Change Laws and Regulations

On September 27, 2006, California enacted AB32, the Global Warming Solutions Act of 2006, which established the first statewide program in the United States to limit greenhouse gas, or GHG, emissions and impose penalties for non-compliance. Since then, the California Air Resources Board has taken and plans to take various actions to implement the program, including the approval on December 11, 2008, of an AB32 Scoping Plan summarizing the main GHG-reduction strategies for California.

Because landfill and collection operations emit GHG, our operations in California are subject to regulations issued under AB32. These regulations increase our costs for those operations. If we are unable to pass such higher costs through to our customers, our business, financial condition and operating results could be adversely affected.

Climate change laws and regulations could also affect our non-California operations. For example, California's AB32 Scoping Plan described above recommends a GHG cap and trade system in conjunction with the Western Climate Initiative, which currently includes seven states and four Canadian provinces. Also, President Barack Obama has stated that he favors reducing GHG to 1990 levels by 2020 and imposing an economy-wide cap-and-trade program to achieve a further 80 percent reduction by 2050.

The Occupational Safety and Health Act of 1970, or the OSH Act

The OSH Act is administered by the Occupational Safety and Health Administration, or OSHA, and many state agencies whose programs have been approved by OSHA. The OSH Act establishes employer responsibilities for worker health and safety, including the obligation to maintain a workplace free of recognized hazards likely to cause death or serious injury, comply with adopted worker protection standards, maintain certain records, provide workers with required disclosures and implement certain health and safety training programs. Various OSHA standards may apply to our operations, including standards concerning notices of hazards, safety in excavation and demolition work, the handling of asbestos and asbestos-containing materials and worker training and emergency response programs.

Flow Control/Interstate Waste Restrictions

Certain permits and approvals and state and local regulations may limit a landfill's or transfer station's ability to accept waste that originates from specified geographic areas, import out-of-state waste or wastes originating outside the local jurisdictions or otherwise discriminate against non-local waste. These restrictions, generally known as flow control restrictions, are controversial, and courts have held that some state and local flow control schemes violate constitutional limits on state or local regulation of interstate commerce, while other state and local flow control schemes do not. In 2007, the U.S. Supreme Court upheld a flow control scheme directing waste to be processed at a municipally owned transfer station. This decision may result in certain state and local jurisdictions seeking to enforce flow control restrictions through local legislation or contractually. These actions could limit or prohibit the importation of out-of-state waste or direct that wastes be handled at specified facilities. Such actions could adversely affect our transfer stations and landfills. These restrictions could also result in higher disposal costs for our collection operations. If we were unable to pass such higher costs through to our customers, our business, financial condition and operating results could be adversely affected.

State and Local Regulations

Each state in which we now operate or may operate in the future has laws and regulations governing the generation, storage, treatment, handling, transportation and disposal of solid waste, occupational safety and health, water and air pollution and, in most cases, the siting, design, operation, maintenance, closure and post-closure maintenance of landfills and transfer stations. State and local permits and approval for these operations may be required and may be subject to periodic renewal, modification or revocation by the issuing agencies. In addition, many states have adopted statutes comparable to, and in some cases more stringent than, CERCLA. These statutes impose requirements for investigation and cleanup of contaminated sites and liability for costs and damages associated with such sites, and some provide for the imposition of liens on property owned by responsible parties.

Many municipalities also have enacted or could enact ordinances, local laws and regulations affecting our operations. These include zoning and health measures that limit solid waste management activities to specified sites or activities, flow control provisions that direct or restrict the delivery of solid wastes to specific facilities, laws that grant the right to establish franchises for collection services and bidding for such franchises, and bans or other restrictions on the movement of solid wastes into a municipality.

Permits or other land use approvals with respect to a landfill, as well as state or local laws and regulations, may specify the quantity of waste that may be accepted at the landfill during a given time period and/or the types of waste that may be accepted at the landfill. Once an operating permit for a landfill is obtained, it generally must be renewed periodically.

There has been an increasing trend at the state and local level to mandate and encourage waste reduction at the source and waste recycling, and to prohibit or restrict the disposal in landfills of certain types of solid wastes, such as yard wastes, leaves, tires, computers and other electronic equipment waste, and painted wood and other construction and demolition debris. The enactment of regulations reducing the volume and types of wastes available for transport to and disposal in landfills could prevent us from operating our facilities at their full capacity.

Some state and local authorities enforce certain federal requirements in addition to state and local laws and regulations. For example, in some states, local or state authorities enforce requirements of RCRA, the OSH Act and parts of the Clean Air Act and the Clean Water Act instead of the EPA or OSHA, as applicable, and in some states such laws are enforced jointly by state or local and federal authorities.

Public Utility Regulation

In some states, public authorities regulate the rates that landfill operators may charge. The adoption of rate regulation or the reduction of current rates in states in which we own or operate landfills could adversely affect our business, financial condition and operating results.

Solid waste collection services in all unincorporated areas of Washington and in electing municipalities in Washington are provided under G Certificates awarded by the WUTC. In association with the regulation of solid waste collection service levels in these areas, the WUTC also reviews and approves rates for regulated solid waste collection and transportation service.

RISK MANAGEMENT, INSURANCE AND FINANCIAL SURETY BONDS

Risk Management

We maintain environmental and other risk management programs that we believe are appropriate for our business. Our environmental risk management program includes evaluating existing facilities and potential acquisitions for environmental law compliance. We do not presently expect environmental compliance costs to increase materially above current levels, but we cannot predict whether future acquisitions will cause such costs to increase. We also maintain a worker safety program that encourages safe practices in the workplace. Operating practices at our operations emphasize minimizing the possibility of environmental contamination and litigation. Our facilities comply in all material respects with applicable federal and state regulations.

Insurance

We are effectively self-insured for automobile liability, property, general liability, workers' compensation, employer's liability claims, and employee group health insurance. Our loss exposure for insurance claims is generally limited to per incident deductibles. Losses in excess of deductible levels are insured subject to policy limits. Under our current insurance program, we carry per incident deductibles of $2 million for automobile liability claims, $1.5 million for workers' compensation and employer's liability claims, $1 million ($2 million aggregate) for general liability claims, $25,000 for property claims and $250,000 for employee group health insurance. During the 12-month policy term, our automobile liability policy will pay up to $3 million per incident, after we pay the $2 million per incident deductible. Additionally, we have an umbrella policy with a third-party insurance company for automobile liability, general liability and employer's liability that will pay, during the policy term, up to $50 million per incident in excess of the $5 million limit for automobile claims and in excess of the $1.5 million limit for employer's liability claims and will pay up to an aggregate of $50 million in excess of the $2 million aggregate limit for general liability claims. Since workers' compensation is a statutory coverage limited only by the various state jurisdictions, the umbrella coverage is not applicable. Also, our umbrella policy does not cover property claims, as the insurance limits for these claims are in accordance with the replacement values of the insured property. From time to time, actions filed against us include claims for punitive damages, which are generally excluded from coverage under all of our liability insurance policies.

We carry environmental protection insurance under a three-year (annual for the state of California) policy, expiring in November 2011, with coverage of $10 million per occurrence and a $20 million aggregate limit, after we pay the $250,000 per incident deductible. This insurance policy covers all owned or operated landfills, certain transfer stations and other facilities. Subject to policy terms, insurance coverage is guaranteed for acquired and newly-constructed facilities, but each addition to the policy is underwritten on a site-specific basis and the premium is set according to the conditions found at the site. Our policy provides insurance for new pollution conditions that originate after the commencement of our coverage. Pollution conditions existing prior to the commencement of our coverage, if found, could be excluded from coverage.

Financial Surety Bonds

We use financial surety bonds for a variety of corporate guarantees. The financial surety bonds are primarily used for guaranteeing municipal contract performance and providing financial assurances to meet final capping, landfill closure and post-closure obligations as required under certain environmental regulations. In addition to surety bonds, such guarantees and obligations may also be met through alternative financial assurance instruments, including insurance, letters of credit and restricted asset deposits. At December 31, 2007 and 2008, we had provided customers and various regulatory authorities with surety bonds in the aggregate amount of approximately $112.5 million and $113.3 million, respectively, to secure our landfill final capping, closure and post-closure requirements and $51.8 million and $48.5 million, respectively, to secure performance under collection contracts and landfill operating agreements.

We own a 9.9% interest in a company that, among other activities, issues financial surety bonds to secure final capping, landfill closure and post-closure obligations for companies operating in the solid waste sector, including a portion of our own.

EMPLOYEES

At December 31, 2008, we employed 5,379 full-time employees, of which 573, or approximately 11% of our workforce, were employed under collective bargaining agreements, primarily with the Teamsters Union. These employees are subject to labor agreements that are renegotiated periodically. We have nine collective bargaining agreements covering 420 employees that are set to expire during 2009. We do not expect any significant disruption in our overall business in 2009 as a result of labor negotiations, employee strikes or organizational efforts.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning our executive officers and key employee as of February 6, 2009:

NAME	AGE	POSITIONS
Ronald J. Mittelstaedt (1)	45	Chief Executive Officer and Chairman
Steven F. Bouck	51	President
Darrell W. Chambliss	44	Executive Vice President and Chief Operating Officer
Worthing F. Jackman	44	Executive Vice President and Chief Financial Officer
David M. Hall	51	Senior Vice President – Sales and Marketing
James M. Little	47	Senior Vice President – Engineering and Disposal
Eric M. Merrill	56	Senior Vice President – People, Safety and Development
David G. Eddie	39	Vice President – Corporate Controller
Eric O. Hansen	43	Vice President – Chief Information Officer
Jerri L. Hunt (2)	57	Vice President – Employee Relations
Scott I. Schreiber	52	Vice President – Disposal Operations
Patrick J. Shea	38	Vice President, General Counsel and Secretary
Richard K. Wojahn	51	Vice President – Business Development

(1) Member of the Executive Committee of the Board of Directors.
(2) Key employee.

Ronald J. Mittelstaedt has been Chief Executive Officer and a director of Waste Connections since the company was formed, and was elected Chairman in January 1998. Mr. Mittelstaedt also served as President from Waste Connections' formation through August 2004. Mr. Mittelstaedt has more than 20 years of experience in the solid waste industry. Mr. Mittelstaedt holds a B.A. degree in Business Economics with a finance emphasis from the University of California at Santa Barbara.

Steven F. Bouck has been President of Waste Connections since September 1, 2004. From February 1998 to that date, Mr. Bouck served as Executive Vice President and Chief Financial Officer. Mr. Bouck held various positions with First Analysis Corporation from 1986 to 1998, focusing on financial services to the environmental industry. Mr. Bouck holds B.S. and M.S. degrees in Mechanical Engineering from Rensselaer Polytechnic Institute, and an M.B.A. in Finance from the Wharton School.

Darrell W. Chambliss has been Executive Vice President and Chief Operating Officer of Waste Connections since October 2003. From October 1, 1997 to that date, Mr. Chambliss served as Executive Vice President – Operations. Mr. Chambliss has more than 19 years of experience in the solid waste industry. Mr. Chambliss holds a B.S. degree in Business Administration from the University of Arkansas.

Worthing F. Jackman has been Executive Vice President and Chief Financial Officer of Waste Connections since September 1, 2004. From April 2003 to that date, Mr. Jackman served as Vice President – Finance and Investor Relations. Mr. Jackman held various investment banking positions with Alex. Brown & Sons, now Deutsche Bank Securities, Inc., from 1991 through 2003, including most recently as a Managing Director within the Global Industrial & Environmental Services Group. In that capacity, he provided capital markets and strategic advisory services to companies in a variety of sectors, including solid waste services. Mr. Jackman serves as a director for Quanta Services, Inc. He holds a B.S. degree in Finance from Syracuse University and an M.B.A. from the Harvard Business School.

David M. Hall has been Senior Vice President – Sales and Marketing of Waste Connections since October 2005. From August 1998 to that date, Mr. Hall served as Vice President – Business Development. Mr. Hall has more than 21 years of experience in the solid waste industry with extensive operating and marketing experience in the Western U.S. Mr. Hall received a B.S. degree in Management and Marketing from Missouri State University.

James M. Little has been Senior Vice President – Engineering and Disposal of Waste Connections since February 2009. From September 1999 to that date, Mr. Little served as Vice President – Engineering. Mr. Little held various management positions with Waste Management, Inc. (formerly USA Waste Services, Inc., which acquired Waste Management, Inc. and Chambers Development Co. Inc.) from April 1990 to September 1999, including Regional Environmental Manager and Regional Landfill Manager, and most recently Division Manager in Ohio, where he was responsible for the operations of ten operating companies in the Northern Ohio area. Mr. Little is a certified professional geologist and holds a B.S. degree in Geology from Slippery Rock University.

Eric M. Merrill has been Senior Vice President – People, Safety and Development of Waste Connections since January 2009. From June 2007 to that date, Mr. Merrill served as Senior Vice President – People, Training and Development. Mr. Merrill joined us in 1998 and since 2000 had served as Regional Vice President – Pacific Northwest Region. Mr. Merrill has over 20 years of experience in the solid waste industry. He holds a B.S. degree in Accounting from the University of Oregon.

David G. Eddie has been Vice President – Corporate Controller of Waste Connections since March 2004. From April 2003 to that date, Mr. Eddie served as Vice President – Public Reporting and Compliance. From May 2001 to March 2003, Mr. Eddie served as Director of Finance. Mr. Eddie served as Corporate Controller for International FiberCom, Inc. from April 2000 to May 2001. From September 1999 to April 2000, Mr. Eddie served as Waste Connections' Manager of Financial Reporting. From September 1994 to September 1999, Mr. Eddie held various positions, including Audit Manager, for PricewaterhouseCoopers LLP. Mr. Eddie is a Certified Public Accountant and holds a B.S. degree in Accounting from California State University, Sacramento.

Eric O. Hansen has been Vice President – Chief Information Officer of Waste Connections since July 2004. From January 2001 to that date, Mr. Hansen served as Vice President – Information Technology. From April 1998 to December 2000, Mr. Hansen served as Director of Management Information Systems. Mr. Hansen holds a B.S. degree from Portland State University.

Jerri L. Hunt has been Vice President – Employee Relations of Waste Connections since June 2007. Ms. Hunt previously served as Vice President – Human Resources from May 2002 to June 2007, and as Vice President – Human Resources and Risk Management from December 1999 to April 2002. From 1994 to 1999, Ms. Hunt held various positions with First Union National Bank (including the Money Store, which was acquired by First Union National Bank), most recently Vice President of Human Resources. From 1989 to 1994, Ms. Hunt served as Manager of Human Resources and Risk Management for Browning-Ferris Industries, Inc. Ms. Hunt also served as a Human Resources Supervisor for United Parcel Service from 1976 to 1989. She holds a B.S. degree from California State University, Sacramento, and a Master's degree in Human Resources from Golden Gate University.

Scott I. Schreiber has been Vice President – Disposal Operations of Waste Connections since February 2009. From October 1998 to that date, Mr. Schreiber served as Director of Landfill Operations. Mr. Schreiber has more than 29 years of experience in the solid waste industry. From September 1993 to September 1998, Mr. Schreiber served as corporate Director of Landfill Development and corporate Director of Environmental Compliance for Allied Waste Industries, Inc. From August 1988 to September 1993, Mr. Schreiber served as Regional Engineer (Continental Region) and corporate Director of Landfill Development for Laidlaw Waste Systems Inc. From June 1979 to August 1988, Mr. Schreiber held several managerial and technical positions in the solid waste and environmental industry. Mr. Schreiber holds a B.S. degree in Chemistry from the University of Wisconsin at Parkside.

Patrick J. Shea has been Vice President, General Counsel and Secretary of Waste Connections since February 2009. From February 2008 to that date, Mr. Shea served as General Counsel and Secretary. He served as Corporate Counsel from February 2004 to February 2008. Mr. Shea practiced corporate and securities law with Brobeck, Phleger & Harrison LLP in San Francisco from 1999 to 2003 and Winthrop, Stimson, Putnam & Roberts (now Pillsbury Winthrop Shaw Pittman LLP) in New York and London from 1995 to 1999. Mr. Shea holds a B.S. degree in Managerial Economics from the University of California at Davis and a J.D. degree from Cornell University.

Richard K. Wojahn has been Vice President – Business Development of Waste Connections since February 2009. From September 2005 to that date, Mr. Wojahn served as Director of Business Development. Mr. Wojahn served as Vice President of Operations for Mountain Jack Environmental Services, Inc. (which was acquired by Waste Connections in September 2005) from January 2004 to September 2005. Mr. Wojahn has more than 25 years of experience in the solid waste industry having held various management positions with Waste Management, Inc. and Allied Waste Industries, Inc. Mr. Wojahn attended Western Illinois University.

AVAILABLE INFORMATION

Our corporate website address is http://www.wasteconnections.com. The information on our website is not incorporated by reference in this annual report on Form 10-K. We make our reports on Forms 10-K, 10-Q and 8-K and any amendments to such reports available on our website free of charge as soon as reasonably practicable after we file them with or furnish them to the Securities and Exchange Commission, or SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC, 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Certain statements contained in this Annual Report on Form 10-K are forward-looking in nature. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates," or the negative thereof or comparable terminology, or by discussions of strategy. Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, those listed below and elsewhere in this report. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change.

Risks Related to Our Business

A portion of our growth and future financial performance depends on our ability to integrate acquired businesses into our organization and operations.

A component of our growth strategy involves achieving economies of scale and operating efficiencies by growing through acquisitions. We may not achieve these goals unless we effectively combine the operations of acquired businesses with our existing operations. In addition, we are not always able to control the timing of our acquisitions. Our inability to complete acquisitions within the time frames that we expect may cause our operating results to be less favorable than expected, which could cause our stock price to decline.

Our acquisitions may not be successful, resulting in changes in strategy, operating losses or a loss on sale of the business acquired.

Even if we are able to make acquisitions on advantageous terms and are able to integrate them successfully into our operations and organization, some acquisitions may not fulfill our objectives in a given market due to factors that we cannot control, such as market position or customer base. As a result, operating margins could be less than we originally anticipated when we made those acquisitions. In addition, we may change our strategy with respect to that market or those businesses and decide to sell the operations at a loss, or keep those operations and recognize an impairment of goodwill and/or intangible assets.

Downturns in the worldwide economy adversely affect operating results.

Weakness in the worldwide economy has had a negative effect on our operating results, including decreases in volume generally associated with the construction industry and declines in recycled commodity prices. In an economic slowdown, we may also experience the negative effects of increased competitive pricing pressure, customer turnover, and reductions in customer service requirements. Worsening economic conditions or a prolonged or recurring recession could adversely affect our operating results and expected seasonal fluctuations. Further, we cannot assure you that an improvement in economic conditions will result in an immediate, if at all positive, improvement in our operating results or cash flows.

Our results are vulnerable to economic conditions and seasonal factors affecting the regions in which we operate.

Our business and financial results would be harmed by downturns in the general economy of the regions in which we operate and other factors affecting those regions, such as state regulations affecting the solid waste services industry and severe weather conditions. Based on historic trends, we expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters, and lower in the fourth quarter than in the second and third quarters. We expect the fluctuation in our revenues between our highest and lowest quarters to be in the range of approximately 9% to 11%. This seasonality reflects the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during the winter months. In addition, some of our operating costs may be higher in the winter months. Adverse winter weather conditions slow waste collection activities, resulting in higher labor and operational costs. Greater precipitation in the winter increases the weight of collected waste, resulting in higher disposal costs, which are calculated on a per ton basis. Because of these factors, we expect operating income to be generally lower in the winter months, and our stock price may be negatively affected by these variations.

We may be unable to compete effectively with larger and better capitalized companies and governmental service providers.

Our industry is highly competitive and requires substantial labor and capital resources. Some of the markets in which we compete or will likely compete are served by one or more large, national companies, as well as by regional and local companies of varying sizes and resources, some of which we believe have accumulated substantial goodwill in their markets. Some of our competitors may also be better capitalized than we are, have greater name recognition than we do, or be able to provide or be willing to bid their services at a lower price than we may be willing to offer. Our inability to compete effectively could hinder our growth or negatively impact our operating results.

We also compete with counties, municipalities and solid waste districts that maintain or could in the future choose to maintain their own waste collection and disposal operations, including through the implementation of flow control ordinances or similar legislation. These operators may have financial advantages over us because of their access to user fees and similar charges, tax revenues and tax-exempt financing.

<u>We may lose contracts through competitive bidding, early termination or governmental action.</u>

We derive a significant portion of our revenues from market areas where we have exclusive arrangements, including franchise agreements, municipal contracts and G Certificates. Many franchise agreements and municipal contracts are for a specified term and are or will be subject to competitive bidding in the future. For example, we have approximately 288 contracts, representing approximately 4.7% of our annual revenues, which are set for expiration or automatic renewal through December 31, 2009. Although we intend to bid on additional municipal contracts and franchise agreements, we may not be the successful bidder. In addition, some of our customers may terminate their contracts with us before the end of the contract term.

Governmental action may also affect our exclusive arrangements. Municipalities may annex unincorporated areas within counties where we provide collection services. As a result, our customers in annexed areas may be required to obtain services from competitors that have been franchised by the annexing municipalities to provide those services. In addition, municipalities in which services are currently provided on a competitive basis may elect to franchise collection services. Unless we are awarded franchises by these municipalities, we will lose customers. Municipalities may also decide to provide services to their residents themselves, on an optional or mandatory basis, causing us to lose customers. Municipalities in Washington may, by law, annex any unincorporated territory, which could remove such territory from an area covered by a G Certificate issued to us by the WUTC. Such occurrences could subject more of our Washington operations to competitive bidding. Moreover, legislative action could amend or repeal the laws governing WUTC regulation, which could harm our competitive position by subjecting more areas to competitive bidding and/or overlapping service. If we are not able to replace revenues from contracts lost through competitive bidding or early termination or from the renegotiation of existing contracts with other revenues within a reasonable time period, our revenues could decline.

<u>Price increases may not be adequate to offset the impact of increased costs or may cause us to lose volume.</u>

We seek to secure price increases necessary to offset increased costs, to improve operating margins and to obtain adequate returns on our deployed capital. Contractual, general economic or market-specific conditions may limit our ability to raise prices. As a result of these factors, we may be unable to offset increases in costs, improve operating margins and obtain adequate investment returns through price increases. We may also lose volume to lower-cost competitors.

<u>Increases in the price of fuel may adversely affect our business and reduce our operating margins.</u>

The market price of fuel is volatile and rose substantially in recent years before falling with the general economic downturn in late 2008. We generally purchase diesel fuel at market prices, and such prices have fluctuated significantly. A significant increase in our fuel cost could adversely affect our business and reduce our operating margins and reported earnings. To manage a portion of this risk, in the fourth quarter of 2008, we entered into multiple commodity swap agreements related to forecasted diesel fuel purchases as well as multiple fixed-price fuel purchase contracts. During periods of falling diesel fuel prices, such as the recent drop in fuel prices, our hedge payable positions may increase and it may become more expensive to purchase fuel under our fixed-price fuel purchase contracts than at market prices.

<u>Increases in labor and disposal and related transportation costs could impact our financial results.</u>

Our continued success will depend on our ability to attract and retain qualified personnel. We compete with other businesses in our markets for qualified employees. From time to time, the labor supply is tight in some of our markets. A shortage of qualified employees would require us to enhance our wage and benefits packages to compete more effectively for employees, to hire more expensive temporary employees or to contract for services with more expensive third-party vendors. Labor is one of our highest costs and relatively small increases in labor costs per employee could materially affect our cost structure. If we fail to attract and retain qualified employees, control our labor costs during periods of declining volumes, or recover any increased labor costs through increased prices we charge for our services or otherwise offset such increases with cost savings in other areas, our operating margins could suffer. Disposal and related transportation costs are our second highest cost category. If we incur increased disposal and related transportation costs to dispose of solid waste, and if, in either case, we are unable to pass these costs on to our customers, our operating results would suffer.

We could face significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate.

We participate in various "multiemployer" pension plans administered by employee and union trustees. We make periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. In the event that we withdraw from participation in one of these plans, then applicable law could require us to make an additional lump-sum contribution to the plan, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that participate in these plans, we may decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Some multiemployer plans in which we participate may have significant underfunded liabilities because of the general economic downturn in the fourth quarter of 2008. Such underfunding could increase the size of our potential withdrawal liability.

Efforts by labor unions could divert management attention and adversely affect operating results.

From time to time, labor unions attempt to organize our employees. Some groups of our employees are represented by unions, and we have negotiated collective bargaining agreements with most of these groups. We are currently engaged in negotiations with other groups of employees represented by unions. Additional groups of employees may seek union representation in the future. Negotiating collective bargaining agreements with these groups could divert management attention and adversely affect operating results. If we are unable to negotiate acceptable collective bargaining agreements, we might have to wait through "cooling off" periods, which are often followed by union-initiated work stoppages, including strikes. Additionally, it is expected that the Employee Free Choice Act will be reintroduced in the new Congress. If reintroduced and enacted in its most recent form, the Employee Free Choice Act would: (1) allow unions to become the representative of previously unrepresented employees by getting so-called "authorization cards" signed by a majority of the employees involved, without requiring the union to go through a secret ballot election; (2) require binding arbitration upon an employer and the union if they were unable to negotiate a first contract within specified timelines; and (3) impose new penalties on employers who violate provisions of the Act. Furthermore, any significant work stoppage or slowdown at ports or by railroad workers could reduce or interrupt the flow of cargo containers through our intermodal facilities. Depending on the type and duration of any labor disruptions, our operating expenses could increase significantly, which could adversely affect our financial condition, results of operations and cash flows.

Increases in insurance costs and the amount that we self-insure for various risks could reduce our operating margins and reported earnings.

We maintain insurance policies for automobile, general, employer's, environmental and directors and officers' liability as well as for employee group health insurance, property insurance and workers' compensation. We are effectively self-insured for automobile liability, property, general liability, workers' compensation, employer's liability and employee group health insurance by carrying high dollar per incident deductibles. We carry umbrella policies for certain types of claims to provide excess coverage over the underlying policies and per incident deductibles. The increased amounts that we self-insure could cause significant volatility in our operating margins and reported earnings based on the occurrence and claim costs of incidents, accidents and injuries. Our insurance accruals are based on claims filed and estimates of claims incurred but not reported and are developed by our management with assistance from our third-party actuary and our third-party claims administrator. To the extent these estimates are inaccurate, we may recognize substantial additional expenses in future periods that would reduce operating margins and reported earnings. From time to time, actions filed against us include claims for punitive damages, which are generally excluded from coverage under all of our liability insurance policies. A punitive damage award could have an adverse effect on our reported earnings in the period in which it occurs. Significant increases in premiums on insurance that we retain also could reduce our margins.

Competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit our ability to grow through acquisitions.

Most of our growth since our inception has been through acquisitions. Although we have identified numerous acquisition candidates that we believe are suitable, we may not be able to acquire them at prices or on terms and conditions favorable to us.

Other companies have adopted or may in the future adopt our strategy of acquiring and consolidating regional and local businesses. We expect that increased consolidation in the solid waste services industry will continue to reduce the number of attractive acquisition candidates. Moreover, general economic conditions and the environment for attractive investments may affect the desire of the owners of acquisition candidates to sell their companies. As a result, fewer acquisition opportunities may become available to us, which could cause us to reduce our rate of growth from acquisitions or make acquisitions on less attractive terms than we have in the past, such as at higher purchase prices.

Additionally, given the continued credit crisis and related turmoil in the global financial system, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so. While we expect we will be able to fund some of our acquisitions with our existing resources, additional financing to pursue additional acquisitions may be required. However, if current market conditions continue to persist, or deteriorate further, we may be unable to secure additional financing or any such additional financing may be available to us on unfavorable terms, which could have an impact on our flexibility to pursue additional acquisition opportunities and maintain our desired level of revenue growth in the future. In addition, disruptions in the capital and credit markets, as were experienced during 2008, could adversely affect our ability to draw on our credit facility. Our access to funds under the credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

Our indebtedness could adversely affect our financial condition; we may incur substantially more debt in the future.

As of December 31, 2008, we had $835.5 million of total indebtedness outstanding. We may incur substantial additional debt in the future. The incurrence of substantial additional indebtedness could have important consequences to you. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to obtain additional financing or refinancings at attractive rates;
- require the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our growth strategy, working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry; and
- place us at a competitive disadvantage relative to our competitors with less debt.

Each business that we acquire or have acquired may have liabilities that we fail or are unable to discover, including environmental liabilities.

It is possible that the corporate entities or sites we have acquired, or which we may acquire in the future, have liabilities in respect of former or existing operations or properties, or otherwise, which we have not been able to identify and assess through our due diligence investigations. As a successor owner, we may be legally responsible for those liabilities that arise from businesses that we acquire. Even if we obtain legally enforceable representations, warranties and indemnities from the sellers of such businesses, they may not cover the liabilities fully or the sellers may not have sufficient funds to perform their obligations. Some environmental liabilities, even if we do not expressly assume them, may be imposed on us under various regulatory schemes and other applicable laws. In addition, our insurance program may not cover such sites and will not cover liabilities associated with some environmental issues that may exist prior to attachment of coverage. A successful uninsured claim against us could harm our financial condition or operating results.

Liabilities for environmental damage may adversely affect our financial condition, business and earnings.

We may be liable for any environmental damage that our current or former facilities cause, including damage to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water, and especially drinking water, or to natural resources. We may be liable for damage resulting from conditions existing before we acquired these facilities. We may also be liable for any on-site environmental contamination caused by pollutants or hazardous substances whose transportation, treatment or disposal we or our predecessors arranged or conducted. If we were to incur liability for environmental damage, environmental cleanups, corrective action or damage not covered by insurance or in excess of the amount of our coverage, our financial condition or operating results could be materially adversely affected.

Our accruals for our landfill site closure and post-closure costs may be inadequate.

We are required to pay capping, closure and post-closure maintenance costs for landfill sites that we own or operate. Our obligations to pay closure or post-closure costs may exceed the amount we have accrued and reserved and other amounts available from funds or reserves established to pay such costs. In addition, the completion or closure of a landfill site does not end our environmental obligations. After completion or closure of a landfill site there exists the potential for unforeseen environmental problems to occur that could result in substantial remediation costs. Paying additional amounts for closure or post-closure costs and/or for environmental remediation could harm our financial condition or operating results.

We may be subject in the normal course of business to judicial, administrative or other third party proceedings that could interrupt our operations, require expensive remediation, result in adverse judgments, settlements or fines and create negative publicity.

Governmental agencies may, among other things, impose fines or penalties on us relating to the conduct of our business, attempt to revoke or deny renewal of our operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations, require us to install additional pollution control equipment or require us to remediate potential environmental problems relating to any real property that we or our predecessors ever owned, leased or operated or any waste that we or our predecessors ever collected, transported, disposed of or stored. Individuals or citizens groups may also bring actions against us in connection with our operations. Any adverse outcome in such proceedings could harm our operations and financial results and create negative publicity, which could damage our reputation, competitive position and stock price.

The financial soundness of our customers could affect our business and operating results.

As a result of the disruptions in the financial markets and other macro-economic challenges currently affecting the economy of the United States and other parts of the world, our customers may experience cash flow concerns. As a result, if customers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, customers may not be able to pay, or may delay payment of, accounts receivable owed to us. Any inability of current and/or potential customers to pay us for services may adversely affect our financial condition, results of operations and cash flows.

We depend significantly on the services of the members of our senior, regional and district management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior, regional and district management team. Key members of our management have entered into employment agreements, but we may not be able to enforce these agreements. The loss of the services of any member of our senior, regional or district management or the inability to hire and retain experienced management personnel could harm our operating results.

Our decentralized decision-making structure could allow local managers to make decisions that adversely affect our operating results.

We manage our operations on a decentralized basis. Local managers have the authority to make many decisions concerning their operations without obtaining prior approval from executive officers, subject to compliance with general company-wide policies. Poor decisions by local managers could result in the loss of customers or increases in costs, in either case adversely affecting operating results.

Because we depend on railroads for our intermodal operations, our operating results and financial condition are likely to be adversely affected by any reduction or deterioration in rail service.

We depend on two major railroads for the intermodal services we provide – the Burlington Northern Santa Fe and Union Pacific. Consequently, a reduction in, or elimination of, rail service to a particular market is likely to adversely affect our ability to provide intermodal transportation services to some of our customers. In addition, the railroads are relatively free to adjust shipping rates up or down as market conditions permit when existing contracts expire. Rate increases would result in higher intermodal transportation costs, reducing the attractiveness of intermodal transportation compared to solely trucking or other transportation modes, which could cause a decrease in demand for our services. Our business could also be adversely affected by harsh weather conditions or other factors that hinder the railroads' ability to provide reliable transportation services.

We may incur additional charges related to capitalized expenditures, which would decrease our earnings.

In accordance with U.S. generally accepted accounting principles, we capitalize some expenditures and advances relating to landfill development projects. We expense indirect costs such as executive salaries, general corporate overhead and other corporate services as we incur those costs. We charge against earnings any unamortized capitalized expenditures and advances (net of any amount that we estimate we will recover, through sale or otherwise) that relate to any operation that is permanently shut down or determined to be impaired and any landfill development project that we do not expect to complete. Any such charges against earnings could decrease our stock price.

Our financial results are based upon estimates and assumptions that may differ from actual results.

In preparing our consolidated financial statements in accordance with U.S. generally accepted accounting principles, several estimates and assumptions are made that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. The estimates and the assumptions having the greatest amount of uncertainty, subjectivity and complexity are related to our accounting for landfills, self-insurance, intangibles, allocation of acquisition purchase price, income taxes, asset impairments and litigation, claims and assessments. Actual results for all estimates could differ materially from the estimates and assumptions that we use, which could have an adverse effect on our financial condition and results of operations.

The adoption of new accounting standards or interpretations could adversely affect our financial results.

Our implementation of and compliance with changes in accounting rules and interpretations could adversely affect our operating results or cause unanticipated fluctuations in our results in future periods. The accounting rules and regulations that we must comply with are complex and continually changing. Recent actions and public comments from the SEC have focused on the integrity of financial reporting generally. The Financial Accounting Standards Board, or FASB, has recently introduced several new or proposed accounting standards, or is developing new proposed standards, which would represent a significant change from current industry practices. For example, Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations*, which became effective for us on January 1, 2009, changes how the purchase price is calculated and fair values are determined in connection with an acquisition and also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. Another example, FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*, which became effective for us on January 1, 2009, changes the accounting for convertible debt and requires the liability and equity components to be accounted for separately in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. In addition, many companies' accounting policies are being subjected to heightened scrutiny by regulators and the public. While we believe that our financial statements have been prepared in accordance with U.S. generally accepted accounting principles, we cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward.

Risks Related to Our Industry

Our financial and operating performance may be affected by the inability to renew landfill operating permits, obtain new landfills and expand existing ones.

We currently own and/or operate a number of landfills. Our ability to meet our financial and operating objectives may depend in part on our ability to renew landfill operating permits, acquire, lease and expand existing landfills and develop new landfill sites. It has become increasingly difficult and expensive to obtain required permits and approvals to build, operate and expand solid waste management facilities, including landfills and transfer stations. Operating permits for landfills in states where we operate must generally be renewed every five to ten years, although some permits are required to be renewed more frequently. These operating permits often must be renewed several times during the permitted life of a landfill. The permit and approval process is often time consuming, requires numerous hearings and compliance with zoning, environmental and other requirements, is frequently challenged by citizens, public interest and other groups, and may result in the denial of a permit or renewal, the award of a permit or renewal for a shorter duration than we believed was otherwise required by law, or burdensome terms and conditions being imposed on our operations. We may not be able to obtain new landfill sites or expand the permitted capacity of our landfills when necessary. Obtaining new landfill sites is important to our expansion into new, non-exclusive markets. If we do not believe that we can obtain a landfill site in a non-exclusive market, we may choose not to enter that market. Expanding existing landfill sites is important in those markets where the remaining lives of our landfills are relatively short. We may choose to forego acquisitions and internal growth in these markets because increased volumes would further shorten the lives of these landfills. Any of these circumstances could adversely affect our operating results.

Future changes in laws regulating the flow of solid waste in interstate commerce could adversely affect our operating results.

The U.S. Supreme Court has held that states may not regulate the flow of solid waste in interstate commerce if the effect would be to discriminate between interstate and intrastate commerce with respect to private facilities. In 2007, the U.S. Supreme Court upheld a flow control scheme directing waste to be processed at a municipally owned transfer station. If one or more of the municipalities or states in which we dispose of interstate waste takes action that would prohibit or increase the costs of our continued disposal of interstate waste, our operating results could be adversely affected.

Fluctuations in prices for recycled commodities that we sell and rebates we offer to customers may cause our revenues and operating results to decline.

We provide recycling services to some of our customers. The majority of the recyclables we process for sale are paper products that are shipped to customers in Asia. The sale prices of and demands for recyclable commodities, particularly paper products, are frequently volatile and when they decline, as they did beginning in the fourth quarter of 2008, our revenues, operating results and cash flows will be affected. Our recycling operations offer rebates to suppliers, based on the market prices of commodities we buy to process for resale. Therefore, if we recognize increased revenues resulting from higher prices for recyclable commodities, the rebates we pay to suppliers will also increase, which also may impact our operating results.

Extensive and evolving environmental and health and safety laws and regulations may restrict our operations and growth and increase our costs.

Existing environmental laws and regulations have become more stringently enforced in recent years because of greater public interest in protecting the environment. In addition, our industry is subject to regular enactment of new or amended federal, state and local environmental and health and safety statutes, regulations and ballot initiatives, such as those regulating GHG emissions, as well as judicial decisions interpreting these requirements. These requirements impose substantial capital and operating costs and operational limitations on us and may adversely affect our business. In addition, federal, state and local governments may change the rights they grant to, and the restrictions they impose on, solid waste services companies, and those changes could restrict our operations and growth.

Extensive regulations that govern the design, operation and closure of landfills may restrict our landfill operations or increase our costs of operating landfills.

Regulations that govern landfill design, operation, closure and financial assurances include the regulations that establish minimum federal requirements adopted by the EPA in October 1991 under Subtitle D of RCRA. If we fail to comply with these regulations or their state counterparts, we could be required to undertake investigatory or remedial activities, curtail operations or close landfills temporarily or permanently. Future changes to these regulations may require us to modify, supplement or replace equipment or facilities at substantial costs. If regulatory agencies fail to enforce these regulations vigorously or consistently, our competitors whose facilities are not forced to comply with the Subtitle D regulations or their state counterparts may obtain an advantage over us. Our financial obligations arising from any failure to comply with these regulations could harm our business and operating results.

Unusually adverse weather conditions may interfere with our operations, harming our operating results.

Our operations could be adversely affected, beyond the normal seasonal variations described above, by unusually long periods of inclement weather, which could interfere with collection, landfill and intermodal operations, reduce the volume of waste generated by our customers, delay the development of landfill capacity, and increase the costs we incur in connection with the construction of landfills and other facilities. Periods of particularly harsh weather may force us to temporarily suspend some of our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2008, we owned 135 collection operations, 39 transfer stations, 25 municipal solid waste landfills, two construction and demolition landfills, 34 recycling operations, and five intermodal operations and operated, but did not own, an additional 13 transfer stations, ten municipal solid waste landfills and one intermodal operation. We lease certain of the sites on which these facilities are located. We lease various office facilities, including our corporate offices in Folsom, California, where we occupy approximately 31,000 square feet of space. We have signed a lease for new corporate offices of approximately 54,000 square feet in Folsom, California, which we expect to occupy in February 2009. We own various equipment, including waste collection and transportation vehicles, related support vehicles, double-stack rail cars, carts, containers, chassis and heavy equipment used in landfill and intermodal operations. We believe that our existing facilities and equipment are adequate for our current operations. However, we expect to make additional investments in property and equipment for expansion and replacement of assets in connection with future acquisitions.

ITEM 3. LEGAL PROCEEDINGS

Our subsidiary, High Desert Solid Waste Facility, Inc. (formerly known as Rhino Solid Waste, Inc.), owns undeveloped property in Chaparral, New Mexico, for which it sought a permit to operate a municipal solid waste landfill. After a public hearing, the New Mexico Environment Department (the "Department") approved the permit for the facility on January 30, 2002. Colonias Development Council ("CDC"), a nonprofit organization, opposed the permit at the public hearing and appealed the Department's decision to the courts of New Mexico, primarily on the grounds that the Department failed to consider the social impact of the landfill on the community of Chaparral, and failed to consider regional planning issues. On July 18, 2005, in *Colonias Dev. Council v. Rhino Envtl. Servs., Inc. (In re Rhino Envtl. Servs.), 2005 NMSC 24, 117 P.3d 939*, the New Mexico Supreme Court remanded the matter back to the Department to conduct a limited public hearing on certain evidence that CDC claims was wrongfully excluded from consideration by the hearing officer, and to allow the Department to reconsider the evidence already proffered concerning the impact of the landfill on the surrounding community's quality of life. The parties have agreed to postpone the hearing until November 2009 at the earliest to allow us time to explore a possible relocation of the landfill. At December 31, 2008, we had $9.9 million of capitalized expenditures related to this landfill development project. If we are not ultimately issued a permit to operate the landfill, we will be required to expense in a future period the $9.9 million of capitalized expenditures, less the recoverable value of the undeveloped property and other amounts recovered, which would likely have a material adverse effect on our results of operations for that period.

We opened a municipal solid waste landfill in Harper County, Kansas in January 2006, following the issuance by the Kansas Department of Health and Environment ("KDHE") of a final permit to operate the landfill. The landfill has operated continuously since that time. On October 3, 2005, landfill opponents filed a suit (*Board of Comm'rs of Sumner County, Kansas, Tri-County Concerned Citizens and Dalton Holland v. Roderick Bremby, Sec'y of the Kansas Dep't of Health and Env't, et al.*) in the District Court of Shawnee County, Kansas, seeking a judicial review of KDHE's decision to issue the permit, alleging that a site analysis prepared for us and submitted to the KDHE as part of the process leading to the issuance of the permit was deficient in several respects. The action sought to stay the effectiveness of the permit and to nullify it. On April 7, 2006, the District Court issued an order denying the plaintiffs' request for judicial review on the grounds that they lacked standing to bring the action. The plaintiffs appealed this decision to the Kansas Court of Appeals, and on October 12, 2007, the Court of Appeals issued an opinion reversing and remanding the District Court's decision. We appealed the decision to the Kansas Supreme Court, and on July 25, 2008, the Supreme Court affirmed the decision of the Court of Appeals and remanded the case to the District Court for further proceedings on the merits. Plaintiffs filed a second amended petition on October 22, 2008, and we filed a motion to strike various allegations contained within the second amended petition. The motion to strike was heard before the District Court on January 26, 2009, and the Court took the matter under submission. The outcome of the issues raised in the motion will impact the scope of briefing on the ultimate issue before the District Court. It is anticipated that the briefing will be completed during the 2009 calendar year. While we believe that we will prevail in this case, the District Court could remand the matter back to KDHE for additional review of its decision or could revoke the permit. An order of remand to KDHE would not necessarily affect our continued operation of the landfill. Only in the event that a final adverse determination with respect to the permit is received would there likely be a material adverse effect on our reported income in the future. We cannot estimate the amount of any such material adverse effect.

On October 25, 2006, a purported shareholder derivative complaint captioned *Travis v. Mittelstaedt, et al.* was filed in the United States District Court for the Eastern District of California, naming certain of our directors and officers as defendants, and naming us as a nominal defendant. On January 30, 2007, a similar purported derivative action, captioned *Pierce and Banister v. Mittelstaedt, et al.*, was filed in the same federal court as the *Travis* case. The *Travis* and *Pierce and Banister* cases have been consolidated. The consolidated complaint in the action alleges violations of various federal and California securities laws, breach of fiduciary duty, waste, and related claims in connection with the timing of certain historical stock option grants. The consolidated complaint names as defendants certain of our current and former directors and officers, and names us as a nominal defendant. On June 22, 2007, we and the individual defendants filed motions to dismiss the consolidated action. On March 19, 2008, the Court granted our motion to dismiss and provided the plaintiffs leave to file an amended consolidated complaint, which the plaintiffs filed with the Court on April 8, 2008.

On October 30, 2006, we were served with another purported shareholder derivative complaint, naming certain of our current and former directors and officers as defendants, and naming us as a nominal defendant. The suit, captioned *Nichols v. Mittelstaedt, et al.* and filed in the Superior Court of California, County of Sacramento, contains allegations substantially similar to the consolidated federal action described above. On April 3, 2007, a fourth purported derivative action, captioned *Priest v. Mittelstaedt, et al.*, was filed in the Superior Court of California, County of Sacramento, and contains allegations substantially similar to the consolidated federal action and the *Nichols* suit. The *Nichols* and *Priest* suits have been consolidated and captioned *In re Waste Connections, Inc. Shareholder Derivative Litigation* and stayed pending the outcome of the consolidated federal action.

In July 2008, the parties reached a preliminary agreement to settle all of these derivative actions, and in August 2008 the consolidated federal action was stayed as a result of the preliminary agreement. Under the terms of the preliminary agreement, we agreed to reaffirm and/or implement certain corporate governance measures and our insurance carrier agreed to pay not more than $3 million to plaintiffs' counsel to cover plaintiffs' counsel's fees and costs, which are subject to court approval. The defendants expressly deny any wrongdoing and will receive a complete release of all claims. The preliminary agreement is subject to standard conditions, including final court approval. There can be no assurance that final court approval will be obtained.

In 2006, we completed a review of our historical stock option granting practices, including all option grants since our initial public offering in May 1998, and reported the results of the review to the Audit Committee of our Board of Directors. The review identified a small number of immaterial exceptions to non-cash compensation expense attributable to administrative and clerical errors. These exceptions are not material to our current and historical financial statements, and the Audit Committee concluded that no further action was necessary. As with any litigation proceeding, we cannot predict with certainty the eventual outcome of the pending federal and state derivative litigation, nor can we estimate the amount of any losses that might result.

On January 15, 2009, a purported class action complaint captioned *Heath Belcher and Denessa Arguello v. Waste Connections, Inc., and Waste Connections of California, Inc.* was filed in the United States District Court for the Eastern District of California, naming us and our subsidiary, Waste Connections of California, Inc., as defendants. The complaint alleges violations under the Fair Labor Standards Act related to overtime compensation, and alleges violations under California labor laws related to overtime compensation, unpaid wages, meal and rest breaks, and wage statements. The complaint also alleges violations under the California Unfair Competition Law based on the foregoing alleged violations. The complaint seeks class certification and various forms of relief, including declaratory judgment, statutory penalties, unpaid back wages, liquidated damages, restitution, interest, and attorneys' fees and costs. We intend to vigorously defend this matter. As with any litigation proceeding, we cannot predict with certainty the eventual outcome of this matter, nor can we estimate the amount of any losses that might result.

In the normal course of our business and as a result of the extensive governmental regulation of the solid waste industry, we are subject to various other judicial and administrative proceedings involving federal, state or local agencies. In these proceedings, an agency may seek to impose fines on us or to revoke or deny renewal of an operating permit held by us. From time to time, we may also be subject to actions brought by citizens' groups or adjacent landowners or residents in connection with the permitting and licensing of landfills and transfer stations, or alleging environmental damage or violations of the permits and licenses pursuant to which we operate.

In addition, we are a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the waste management business. Except as noted in the legal cases described above, as of December 31, 2008, there is no current proceeding or litigation involving us that we believe will have a material adverse impact on our business, financial condition, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange under the symbol "WCN." The following table sets forth, for the periods indicated, the high and low prices per share of our common stock, as reported on the New York Stock Exchange. Prices have been adjusted to reflect our three-for-two stock split, in the form of a 50% stock dividend, effective as of March 13, 2007.

	HIGH	LOW
2007		
First Quarter	$ 31.72	$ 27.18
Second Quarter	32.25	29.50
Third Quarter	33.33	29.05
Fourth Quarter	34.17	29.10
2008		
First Quarter	$ 31.77	$ 28.05
Second Quarter	34.93	29.99
Third Quarter	40.74	30.31
Fourth Quarter	36.64	26.54
2009		
First Quarter (through January 23, 2009)	$ 31.77	$ 25.97

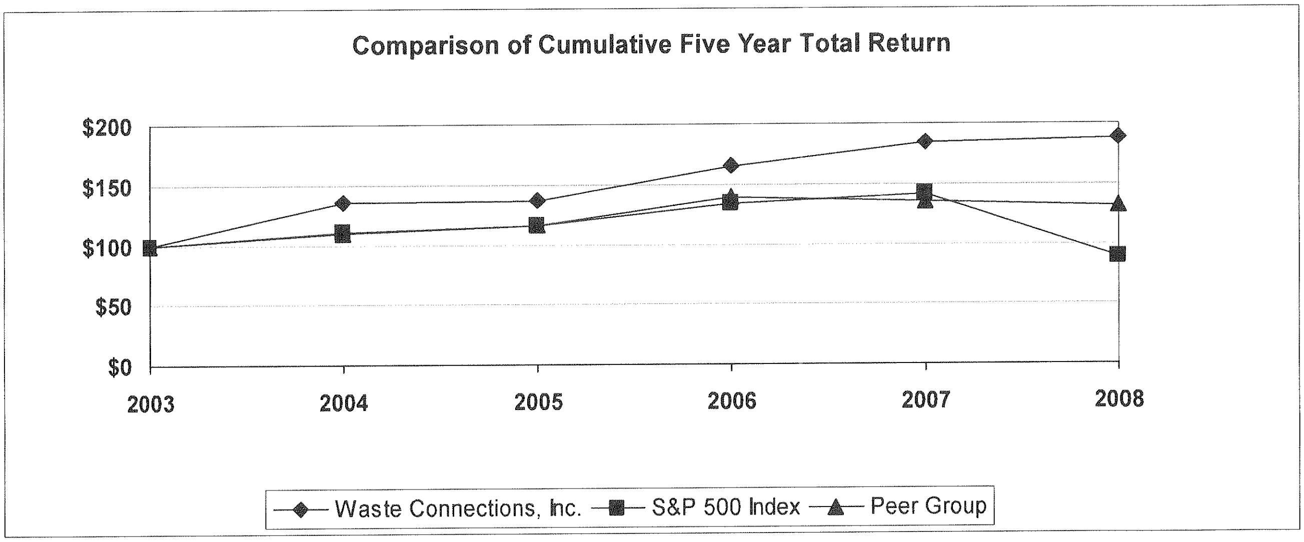
As of January 23, 2009, there were 84 record holders of our common stock.

We have never paid cash dividends on our common stock and do not currently anticipate paying any cash dividends on our common stock. We have the ability under our senior revolving credit facility to repurchase our common stock and pay dividends subject to us maintaining specified financial ratios.

Performance Graph

The following performance graph compares the total cumulative stockholder returns on our common stock over the past five fiscal years with the total cumulative returns for the S&P 500 Index and a peer group index selected by us. The graph assumes an investment of $100 in our common stock on December 31, 2003, and the reinvestment of all dividends (we have not paid any dividends during the period indicated). This chart has been calculated in compliance with SEC requirements and prepared by Standard & Poor's Compustat®.

Comparison of Cumulative Five Year Total Return



This graph and the accompanying text is not "soliciting material," is not deemed filed with the SEC, and is not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Market prices and dividends have been adjusted to give retroactive effect to our three-for-two stock split, effective as of June 24, 2004, and our three-for-two stock split, effective as of March 13, 2007.

	Base Period	Indexed Returns Years Ending				
Company Name / Index	**Dec03**	**Dec04**	**Dec05**	**Dec06**	**Dec07**	**Dec08**
Waste Connections, Inc.	100	$ 136.02	$ 136.85	$ 165.01	$ 184.07	$ 188.07
S&P 500 Index	100	$ 110.88	$ 116.33	$ 134.70	$ 142.10	$ 89.53
Peer Group*	100	$ 109.24	$ 115.84	$ 139.53	$ 135.31	$ 132.11

*Peer Group Companies: Casella Waste Systems, Inc.; Republic Services, Inc.; Waste Management, Inc. The companies comprising our peer group in this Annual Report on Form 10-K for the year ended December 31, 2008, did not include Allied Waste Industries, Inc. and Waste Industries USA, Inc., which were both included in our peer group in our Annual Report on Form 10-K for the year ended December 31, 2007, because both companies ceased to be publicly traded companies in 2008. Allied Waste Industries, Inc. ceased to be a publicly traded company when it merged with Republic Services, Inc. in December 2008, and Waste Industries USA, Inc. ceased to be a publicly traded company when it went private in May 2008.

THE STOCK PRICE PERFORMANCE INCLUDED IN THIS GRAPH IS NOT NECESSARILY INDICATIVE OF FUTURE STOCK PRICE PERFORMANCE.

ITEM 6. SELECTED FINANCIAL DATA

This table sets forth our selected financial data for the periods indicated. This data should be read in conjunction with, and is qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Annual Report on Form 10-K and our audited consolidated financial statements, including the related notes and our independent registered public accounting firm's report and the other financial information included in Item 8 of this Annual Report on Form 10-K. The selected data in this section is not intended to replace the consolidated financial statements included in this report.

	YEARS ENDED DECEMBER 31,				
	2004	2005	2006 [a]	2007 [a]	2008 [a]
	(in thousands, except share and per share data)				
STATEMENT OF OPERATIONS DATA:					
Revenues	$ 624,544	$ 721,899	$ 824,354	$ 958,541	$ 1,049,603
Operating expenses:					
Cost of operations	354,901	416,883	492,766	566,089	628,075
Selling, general and administrative	61,223	72,395	84,541	99,565	111,114
Depreciation and amortization	54,630	64,788	74,865	85,628	97,429
Loss (gain) on disposal of assets	2,120	(216)	796	250	629
Operating income	151,670	168,049	171,386	207,009	212,356
Interest expense	(22,039)	(23,966)	(30,110)	(35,023)	(38,824)
Interest income	315	477	1,140	1,593	3,297
Other income (expense), net	(2,817)	450	(3,759)	289	(633)
Income before income tax provision and minority interests	127,129	145,010	138,657	173,868	176,196
Minority interests	(11,520)	(12,422)	(12,905)	(14,870)	(12,240)
Income from continuing operations before income taxes	115,609	132,588	125,752	158,998	163,956
Income tax provision	(42,251)	(48,066)	(48,329)	(59,917)	(58,400)
Income from continuing operations	73,358	84,522	77,423	99,081	105,556
Loss on discontinued operations, net of tax	(1,087)	(579)	-	-	-
Net income	$ 72,271	$ 83,943	$ 77,423	$ 99,081	$ 105,556
Basic earnings per common share:					
Income from continuing operations	$ 1.05	$ 1.21	$ 1.14	$ 1.45	$ 1.51
Discontinued operations	(0.02)	(0.01)	-	-	-
Net income per common share	$ 1.03	$ 1.20	$ 1.14	$ 1.45	$ 1.51
Diluted earnings per common share:					
Income from continuing operations	$ 1.02	$ 1.17	$ 1.10	$ 1.42	$ 1.48
Discontinued operations	(0.02)	(0.01)	-	-	-
Net income per common share	$ 1.00	$ 1.16	$ 1.10	$ 1.42	$ 1.48
Shares used in calculating basic income per share [b]	69,872,162	70,050,974	68,136,126	68,238,523	70,024,874
Shares used in calculating diluted income per share [b]	74,205,326	72,316,952	70,408,673	69,994,713	71,419,712

	YEARS ENDED DECEMBER 31,				
	2004	2005	2006 [(a)]	2007 [(a)]	2008[(a)]
	(in thousands, except share and per share data)				
BALANCE SHEET DATA:					
Cash and equivalents	$ 3,610	$ 7,514	$ 34,949	$ 10,298	$ 265,264
Working capital (deficit)	(12,824)	(25,625)	10,368	(24,849)	213,747
Property and equipment, net	640,730	700,508	736,428	865,330	984,124
Total assets	1,491,483	1,676,307	1,773,891	1,981,958	2,600,640
Long-term debt	489,343	586,104	637,308	719,518	830,758
Total stockholders' equity	707,522	718,200	736,482	775,145	1,254,727

(a) For more information regarding this financial data, see the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this report. For disclosures associated with the impact of the adoption of new accounting pronouncements and the comparability of this information, see Note 1 of the consolidated financial statements.

(b) Shares have been adjusted to reflect our three-for-two stock split, paid as a 50% stock dividend, effective as of June 24, 2004, and our three-for-two stock split, paid as a 50% stock dividend, effective as of March 13, 2007.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Financial Data," our consolidated financial statements and the related notes included elsewhere in this report.

Industry Overview

The solid waste industry is a local and highly competitive business, requiring substantial labor and capital resources. The participants compete for collection accounts primarily on the basis of price and, to a lesser extent, the quality of service, and compete for landfill business on the basis of tipping fees, geographic location and quality of operations. The solid waste industry has been consolidating and continues to consolidate as a result of a number of factors, including the increasing costs and complexity associated with waste management operations and regulatory compliance. Many small independent operators and municipalities lack the capital resources, management, operating skills and technical expertise necessary to operate effectively in such an environment. The consolidation trend has caused solid waste companies to operate larger landfills that have complementary collection routes that can use company-owned disposal capacity. Controlling the point of transfer from haulers to landfills has become increasingly important as landfills continue to close and disposal capacity moves further from collection markets.

Generally, the most profitable industry operators are those companies that are vertically integrated or enter into long-term collection contracts. A vertically integrated operator will benefit from: (1) the internalization of waste, which is bringing waste to a company-owned landfill; (2) the ability to charge third-party haulers tipping fees either at landfills or at transfer stations; and (3) the efficiencies gained by being able to aggregate and process waste at a transfer station prior to landfilling.

Executive Overview

We are an integrated solid waste services company that provides solid waste collection, transfer, disposal and recycling services in mostly secondary markets in the Western and Southern U.S. We also provide intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities. We seek to avoid highly competitive, large urban markets and instead target markets where we can provide either solid waste services under exclusive arrangements, or markets where we can be integrated and attain high market share. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally funded or available at multiple municipal sources, we believe that controlling the waste stream by providing collection services under exclusive arrangements is often more important to our growth and profitability than owning or operating landfills.

Operating Results

Revenue in 2008 grew 9.5% as internal growth from operations owned at least 12 months was 3.0%, and acquisitions contributed an additional 6.5% growth in revenue. As shown in the table below, internal growth decreased from 10.4% in 2007, to 3.0% in 2008.

	2007	2008
Price	4.7%	5.6%
Volume	4.0%	(1.9%)
Intermodal, Recycling and Other	1.7%	(0.7%)
Internal Growth	10.4%	3.0%

In 2008, the pricing component of our internal growth increased to 5.6% as a result of broad-based pricing initiatives to offset or recover significant cost increases, primarily in fuel and related items. Volume growth was a negative 1.9% for the full year, but volume declines accelerated throughout 2008 as the economic recession worsened. Volume losses for the year peaked in the fourth quarter at 5.8%. Recycling, intermodal and other negatively impacted internal growth by approximately 0.7% in 2008 primarily due to a significant drop in recycled commodity prices during the fourth quarter.

Operating margins decreased from 21.6% in 2007, to 20.2% in 2008. This 1.4 percentage point decrease was primarily attributable to higher fuel prices, which increased fuel costs as a percentage of revenue by approximately 2 percentage points, partially offset by a reduction in insurance expense. We remain intensely focused on reducing our cost structure and controlling capital expenditures given the continuing deterioration in the overall economy.

Free Cash Flow

Net cash provided by operating activities increased 23.4% to $270.4 million in 2008 from $219.1 million in 2007. Free cash flow, a non-GAAP financial measure (refer to page 42 of this report for a definition and reconciliation of free cash flow), increased 44.2% to $153.2 million in 2008, from $106.2 million in 2007. Free cash flow increased as a percentage of revenue to 14.6% in 2008, from 11.1% in 2007, primarily due to increased earnings, improved accounts receivable turnover, a decrease in tax payments, and a reduction in capital expenditures in light of volume losses due to the weakening economy. We believe our growth in free cash flow reflects the resiliency of our strategy during difficult economic times.

Capital Position

Despite the significant deterioration in the credit and equity markets during 2008, we were able to expand our credit facility by $45.0 million, issue $175.0 million of new senior notes, and complete a common stock offering raising approximately $393.9 million in net proceeds. The successful execution of our financing plan in 2008 positioned us with a strong balance sheet with over $625 million of available capital at year end 2008 to fund additional growth opportunities. On February 6, 2009, we and some of our subsidiaries entered into an Asset Purchase Agreement with Republic Services, Inc. and some of its subsidiaries and other affiliates ("sellers") pursuant to which we agreed to purchase from the sellers assets principally used by the sellers in connection with their solid waste collection and disposal business. The purchase price for the assets is approximately $313.2 million, subject to pre- and post-closing pro-rations and other adjustments. We anticipate paying for the transaction with available cash and equivalents, together with borrowings on our senior revolving credit facility. For additional information, see Part II, Item 9B of this Annual Report on Form 10-K.

We maintain a targeted leverage ratio, as defined in our credit facility, between 2.5x and 2.75x of total debt to earnings before interest, taxes, depreciation and amortization, or EBITDA. We deployed $355.2 million during 2008 for acquisitions, $113.5 million for capital expenditures, and $31.5 million for common stock repurchases. As a result of our free cash flow and previously discussed financings and outlays, our leverage ratio remained below our targeted range at year-end 2008 while cash and equivalents increased $255.0 million over the prior year.

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the consolidated financial statements. As described by the SEC, critical accounting estimates and assumptions are those that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on the financial condition or operating performance of a company. Based on this definition, we believe the following are our critical accounting estimates.

Insurance liabilities. We maintain insurance policies for automobile, general, employer's, environmental and directors and officers' liability as well as for employee group health insurance, property insurance and workers' compensation. Our insurance accruals are based on claims filed and estimates of claims incurred but not reported and are developed by our management with assistance from our third-party actuary and third-party claims administrator. The insurance accruals are influenced by our past claims experience factors, which have a limited history, and by published industry development factors. If we experience insurance claims or costs above or below our historically evaluated levels, our estimates could be materially affected. The frequency and amount of claims or incidents could vary significantly over time, which could materially affect our self-insurance liabilities. Additionally, the actual costs to settle the self-insurance liabilities could materially differ from the original estimates and cause us to incur additional costs in future periods associated with prior year claims.

Income taxes. We use the liability method to account for income taxes. Accordingly, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. If our judgment and estimates concerning assumptions made in calculating our expected future income tax rates are incorrect, our deferred tax assets and liabilities would change. Based on our net deferred tax liability balance at December 31, 2008, each 0.1 percentage point change to our expected future income tax rate would change our net deferred tax liability balance and income tax expense by approximately $0.6 million.

Effective January 2007, we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*, or FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires a company to evaluate whether the tax position taken by a company will more likely than not be sustained upon examination by the appropriate taxing authority. It also provides guidance on how a company should measure the amount of benefit that the company is to recognize in its financial statements. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Our reassessment of our tax positions in accordance with FIN 48 did not have a material impact on our results of operations, financial condition or liquidity. For additional information regarding FIN 48, see Note 13, Income Taxes, of the Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Accounting for landfills. We recognize landfill depletion expense as airspace of a landfill is consumed. Our landfill depletion rates are based on the remaining disposal capacity at our landfills, considering both permitted and expansion airspace. Landfill final capping, closure and post-closure liabilities are calculated by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted, risk-free rate. The resulting final capping, closure and post-closure obligation is recorded on the balance sheet as an addition to site costs and amortized as depletion expense as the landfill's total airspace is consumed. The accounting methods discussed below require us to make certain estimates and assumptions. Changes to these estimates and assumptions could have a material effect on our financial condition and results of operations. Any changes to our estimates are applied prospectively.

Landfill development costs. Landfill development costs include the costs of acquisition, construction associated with excavation, liners, site berms, groundwater monitoring wells and leachate collection systems. We estimate the total costs associated with developing each landfill site to its final capacity. Total landfill costs include the development costs associated with expansion airspace. Expansion airspace is described below. Landfill development costs depend on future events and thus actual costs could vary significantly from our estimates. Material differences between estimated and actual development costs may affect our cash flows by increasing our capital expenditures and thus affect our results of operations by increasing our landfill depletion expense.

Final capping, closure and post-closure obligations. We accrue for estimated final capping, closure and post-closure maintenance obligations at the landfills we own, and the landfills that we operate, but do not own, under life-of-site agreements. We could have additional material financial obligations relating to final capping, closure and post-closure costs at other disposal facilities that we currently own or operate or that we may own or operate in the future. In 2008, we calculated the net present value of our final capping, closure and post closure commitments assuming a 2.5% inflation rate and a 7.5% discount rate. The resulting final capping, closure and post-closure obligation is recorded on the balance sheet as an addition to site costs and amortized as depletion expense as the landfill's total airspace is consumed. Significant reductions in our estimates of the remaining lives of our landfills or significant increases in our estimates of the landfill final capping, closure and post-closure maintenance costs could have a material adverse effect on our financial condition and results of operations. Additionally, changes in regulatory or legislative requirements could increase our costs related to our landfills, resulting in a material adverse effect on our financial condition and results of operations.

We own two landfills for which the prior owners are obligated to reimburse us for certain costs we incur for final capping, closure and post-closure activities on the portion of the landfill utilized by the prior owners. We accrue the prior owner's portion of the final capping, closure and post-closure obligation within the balance sheet classification of other long-term liabilities, and a corresponding receivable from the prior owner in long-term other assets.

Disposal capacity. Our internal and third-party engineers perform surveys at least annually to estimate the remaining disposal capacity at our landfills. Our landfill depletion rates are based on the remaining disposal capacity, considering both permitted and expansion airspace, at the landfills that we own and at the landfills that we operate, but do not own, under life-of-site agreements. Our landfill depletion rates are based on the term of the operating agreement at our operated landfills that have capitalized expenditures. Expansion airspace consists of additional disposal capacity being pursued through means of expansion but is not actually permitted. Expansion airspace that meets certain internal criteria is included in our estimate of total landfill airspace. The internal criteria we use to determine when expansion airspace may be included as disposal capacity are as follows:

1) the land where the expansion is being sought is contiguous to the current disposal site, and we either own the expansion property or it is under an option, purchase, operating or other similar agreement;
2) total development costs, final capping costs, and closure/post-closure costs have been determined;
3) internal personnel have performed a financial analysis of the proposed expansion site and have determined that it has a positive financial and operational impact;
4) internal personnel or external consultants are actively working to obtain the necessary approvals to obtain the landfill expansion permit; and
5) we consider it probable that we will achieve the expansion (for a pursued expansion to be considered probable, there must be no significant known technical, legal, community, business or political restrictions or similar issues existing that could impair the success of the expansion).

We may be unsuccessful in obtaining permits for expansion disposal capacity at our landfills. In such cases, we will charge the previously capitalized development costs to expense. This will adversely affect our operating results and cash flows and could result in greater landfill depletion expense being recognized on a prospective basis.

We periodically evaluate our landfill sites for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and operational performance of our landfills. Future events could cause us to conclude that impairment indicators exist and that our landfill carrying costs are impaired. Any resulting impairment loss could have a material adverse effect on our financial condition and results of operations.

Goodwill and indefinite-lived intangible testing. Goodwill and indefinite-lived intangibles are tested for impairment on at least an annual basis in the fourth quarter of the year. In the first step of testing for goodwill impairment, we estimate the fair value of each reporting unit, which we have determined to be our geographic operating segments, and compare the fair value with the carrying value of the net assets assigned to each reporting unit. If the fair value of a reporting unit is greater than the carrying value of the net assets assigned to the reporting unit, then no impairment results. If the fair value is less than its carrying value, then we would perform a second step and determine the fair value of the goodwill. In this second step, the fair value of goodwill is determined by deducting the fair value of a reporting unit's identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to earnings in our Consolidated Statement of Income. In testing indefinite-lived intangibles for impairment, we compare the estimated fair value of each indefinite-lived intangible to its carrying value. If the fair value of the indefinite-lived intangible is less than its carrying value, an impairment charge would be recorded to earnings in our Consolidated Statement of Income.

To determine the fair value of each of our reporting units as a whole and each indefinite-lived intangible asset, we use discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit and the future discrete cash flows related to each indefinite-lived intangible asset. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our 2008 discounted cash flow analyses were based on ten-year financial forecasts, which in turn were based on the 2009 annual budget developed internally by management. These forecasts reflect perpetual revenue growth rates of 5.0% and operating profit margins that were consistent with 2008 results. Our discount rate assumptions are based on an assessment of the Company's weighted average cost of capital. In assessing the reasonableness of our determined fair values of our reporting units, we evaluate our results against our current market capitalization.

In addition, we would evaluate a reporting unit for impairment if events or circumstances change between annual tests indicating a possible impairment. Examples of such events or circumstances include the following:

- A significant adverse change in legal factors or in the business climate,
- An adverse action or assessment by a regulator,
- A more likely than not expectation that a segment or a significant portion thereof will be sold, or
- The testing for recoverability under Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, of a significant asset group within the segment.

We did not record an impairment charge as a result of our goodwill and indefinite-lived intangibles impairment test in 2008. However, there can be no assurance that goodwill and indefinite-lived intangibles will not be impaired at any time in the future.

Allocation of acquisition purchase price. We allocate acquisition purchase prices to identified intangible assets and tangible assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to goodwill.

From time to time, we consummate acquisitions in which we exchange operations we own for operations owned by another solid waste company. These exchange transactions require us to estimate the fair market value of either the operations we receive or the operations we dispose of, whichever is more clearly evident. To the extent that the fair market value of the operations we dispose of differs from the fair market value of the operations we obtain, cash is either paid or received to offset the difference in fair market values. One method we use to estimate the fair value of solid waste companies is based on a multiple of EBITDA. We determine the appropriate EBITDA multiple to be used in the valuation of exchange transactions based on factors such as the size of the transaction, the type and location of markets serviced, the existence of long-term contracts and the EBITDA multiples we have paid in other similar cash-based transactions.

Stock-based compensation. Effective January 2006, we adopted the provisions of SFAS 123(R), *Share-Based Payment*, for our share-based compensation plans. We previously accounted for these plans under the recognition and measurement principles of APB 25 and related interpretations and disclosure requirements established by SFAS 123, *Accounting for Stock-Based Compensation*. We adopted SFAS 123(R) using the modified prospective method. Under this method, all share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Prior periods are not restated.

Consistent with prior years, we used the Black-Scholes option pricing model which requires extensive use of accounting judgment and financial estimation, including estimates of the expected term option holders will retain their vested stock options before exercising them, the estimated volatility of our common stock price over the expected term, and the number of options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of stock-based compensation and, consequently, the related amounts recognized for the year ended December 31, 2008, in the Consolidated Statements of Income within this report.

General

Our solid waste revenues consist mainly of fees we charge customers for collection, transfer, disposal and recycling services. Our collection business also generates revenues from the sale of recyclable commodities, which have significant variability. A large part of our collection revenues comes from providing residential, commercial and industrial services. We frequently perform these services under service agreements, municipal contracts or franchise agreements with governmental entities. Our existing franchise agreements and all of our existing municipal contracts give us the exclusive right to provide specified waste services in the specified territory during the contract term. These exclusive arrangements are awarded, at least initially, on a competitive bid basis and subsequently on a bid or negotiated basis. We also provide residential collection services on a subscription basis with individual households.

We charge transfer station and landfill customers a tipping fee on a per ton and/or per yard basis for disposing their solid waste at our transfer stations and landfill facilities. Many of our transfer station and landfill customers have entered into one to ten year disposal contracts with us, most of which provide for annual indexed price increases.

We typically determine the prices of our solid waste services by the collection frequency and level of service, route density, volume, weight and type of waste collected, type of equipment and containers furnished, the distance to the disposal or processing facility, the cost of disposal or processing and prices charged by competitors for similar services. The terms of our contracts sometimes limit our ability to pass on price increases. Long-term solid waste collection contracts often contain a formula, generally based on a published price index, that automatically adjusts fees to cover increases in some, but not all, operating costs, or that limit increases to less than 100% of the increase in the applicable price index.

Our revenues from intermodal services consist mainly of fees we charge customers for the movement of cargo containers between our intermodal facilities. We also generate revenue from the storage, maintenance and repair of cargo and solid waste containers and the sale or lease of containers and chassis.

The table below shows for the periods indicated our total reported revenues attributable to services provided in thousands and as percentages of revenues.

	Years Ended December 31,					
	2006		2007		2008	
Collection	$ 602,762	64.2%	$ 693,675	63.8%	$ 787,713	66.4%
Disposal and transfer	259,190	27.6	298,954	27.5	308,811	26.0
Recycling and other	77,202	8.2	95,212	8.7	89,594	7.6
Total	$ 939,154	100.0%	$ 1,087,841	100.0%	$ 1,186,118	100.0%
Intercompany elimination	$ 114,800		$ 129,300		$ 136,515	

Cost of operations includes labor and benefits, tipping fees paid to third-party disposal facilities, vehicle and equipment maintenance, workers' compensation, vehicle and equipment insurance, insurance and employee group health claims expense, third-party transportation expense, fuel, the cost of materials we purchase for recycling, district and state taxes and host community fees and royalties. Our significant costs of operations in 2008 were labor, third-party disposal and transportation, cost of vehicle and equipment maintenance, taxes and fees, insurance and fuel. We use a number of programs to reduce overall cost of operations, including increasing the use of automated routes to reduce labor and workers' compensation exposure, utilizing comprehensive maintenance and health and safety programs, and increasing the use of transfer stations to further enhance internalization rates. We carry high-deductible insurance for automobile liability, property, general liability, workers' compensation, employer's liability and employer group health claims. If we experience insurance claims or costs above or below our historically evaluated levels, our estimates could be materially affected.

Selling, general and administrative, or SG&A, expenses include management, sales force, clerical and administrative employee compensation and benefits, legal, accounting and other professional services, bad debt expense and rent expense for our corporate headquarters.

Depreciation expense includes depreciation of equipment and fixed assets over their estimated useful lives using the straight-line method. Depletion expense includes depletion of landfill site costs and total future development costs as remaining airspace of the landfill is consumed. Remaining airspace at our landfills includes both permitted and expansion airspace. Amortization expense includes the amortization of definite-lived intangible assets, consisting primarily of long-term franchise agreements and contracts and non-competition agreements, over their estimated useful lives using the straight-line method. Goodwill and indefinite-lived intangible assets, consisting primarily of certain perpetual rights to provide solid waste collection and transportation services in specified territories, are not amortized.

We capitalize some third-party expenditures related to pending acquisitions or development projects, such as legal, engineering and interest expenses. We expense indirect acquisition costs, such as executive and corporate overhead, public relations and other corporate services, as we incur them. We charge against net income any unamortized capitalized expenditures and advances (net of any portion that we believe we may recover, through sale or otherwise) that may become impaired, such as those that relate to any operation that is permanently shut down and any pending acquisition or landfill development project that we believe will not be completed. We routinely evaluate all capitalized costs, and expense those related to projects that we believe are not likely to succeed. During the year ended December 31, 2008, we capitalized less than $0.1 million of interest related to landfill and facility development projects. At December 31, 2008, we had less than $0.1 million in capitalized expenditures relating to pending acquisitions.

At December 31, 2008, we had $9.9 million in capitalized expenditures for a landfill project in Chaparral, New Mexico, with respect to which we had obtained a permit to operate the landfill; on July 18, 2005, the Supreme Court of New Mexico ordered the New Mexico Environment Department to conduct an additional limited hearing to consider evidence that landfill opponents claim was wrongfully excluded. The parties have agreed to postpone the hearing until November 2009 at the earliest to allow us time to explore a possible relocation of the landfill. If we are not ultimately issued a permit to operate the landfill, we will be required to expense in a future period the capitalized expenditures for this project, less the recoverable value of the applicable property and any other amounts recovered, which would likely have a material adverse effect on our financial position and results of operations for that period.

Results of Operations

The following table sets forth items in our consolidated statement of operations in thousands and as a percentage of revenues for the periods indicated:

	Years Ended December 31,					
	2006	As a % of 2006 Revenues	2007	As a % of 2007 Revenues	2008	As a % of 2008 Revenues
Revenues	$ 824,354	100.0%	$ 958,541	100.0%	$ 1,049,603	100.0%
Cost of operations	492,766	59.8	566,089	59.1	628,075	59.8
Selling, general and administrative	84,541	10.2	99,565	10.4	111,114	10.6
Depreciation and amortization	74,865	9.1	85,628	8.9	97,429	9.3
Loss on disposal of assets	796	0.1	250	-	629	0.1
Operating income	171,386	20.8	207,009	21.6	212,356	20.2
Interest expense	(30,110)	(3.6)	(35,023)	(3.6)	(38,824)	(3.7)
Interest income	1,140	0.1	1,593	0.1	3,297	0.4
Other income (expense), net	(3,759)	(0.4)	289	-	(633)	(0.1)
Minority interests	(12,905)	(1.6)	(14,870)	(1.6)	(12,240)	(1.2)
Income tax provision	(48,329)	(5.9)	(59,917)	(6.2)	(58,400)	(5.5)
Net income	$ 77,423	9.4%	$ 99,081	10.3%	$ 105,556	10.1%

Years Ended December 31, 2008 and 2007

Revenues. Total revenues increased $91.1 million, or 9.5%, to $1.05 billion for the year ended December 31, 2008, from $958.5 million for the year ended December 31, 2007.

Acquisitions closed during, or subsequent to, the year ended December 31, 2007, increased revenues by approximately $62.1 million.

During the year ended December 31, 2008, increased prices and surcharges charged to our customers increased revenue by $53.6 million. For 2009, we currently estimate that between $50 million to $55 million of price increases charged to customers will be partially offset by an approximate $20 million decrease in surcharges primarily related to declining fuel costs.

During the year ended December 31, 2008, revenues generated from a long-term contract that commenced in March 2007 resulted in a net revenue increase of approximately $3.9 million. Volume decreases in our existing business during the year ended December 31, 2008, reduced revenue by approximately $22.2 million. The net decrease in volume was primarily attributable to declines in roll off activity and landfill volumes for landfills owned in the comparable periods. During the first quarter of 2008, our volume growth, net of revenues generated from a long-term contract that commenced in March 2007, was $1.0 million. During the second, third and fourth quarters of 2008, our volume declined by $3.7 million, $5.3 million and $14.2 million, respectively, from the comparable periods in 2007. Our volume decline increased throughout 2008 as a result of the overall economic recession currently affecting the United States. We currently estimate that the economic recession will result in our 2009 volume declining between approximately 3% and 4% from 2008.

Recyclable commodity revenue was $40.4 million for the year ended December 31, 2008. Reductions in recyclable commodity prices and volumes during the fourth quarter of 2008, partially offset by increased recyclable commodity prices and volume during the first nine months of 2008, reduced revenue by $3.3 million from 2007. During the first, second and third quarters of 2008, our recyclable commodity revenue increased $2.2 million, $1.5 million and $0.2 million, respectively, from the comparable periods in 2007. During the fourth quarter of 2008, our recyclable commodity revenue declined $7.2 million from the comparable period in 2007 due to a sharp decline in commodity pricing resulting from decreased overseas demand for recyclable commodities. We believe this reduction in overseas demand will continue throughout 2009, resulting in our 2009 recyclable commodity revenue declining between 40% and 50% from 2008.

Other revenues decreased by $3.1 million during the year ended December 31, 2008.

Cost of Operations. Total cost of operations increased $62.0 million, or 10.9%, to $628.1 million for the year ended December 31, 2008, from $566.1 million for the year ended December 31, 2007. The increase was attributable to operating costs associated with acquisitions closed during, or subsequent to, the year ended December 31, 2007, operating costs incurred to support a long-term contract that commenced in March 2007, increased diesel fuel expense resulting from higher market prices for fuel and certain operating locations entering into short-term, fixed price, fuel purchase agreements in the second quarter of 2008 that resulted in the purchase of their remaining 2008 fuel volume at prices in excess of market value, increased labor expenses resulting from employee pay rate increases, increased employee medical benefit expenses resulting from an increase in medical claims cost and severity, increased franchise taxes, increased third party trucking and transportation expenses and increased disposal expenses, partially offset by a decrease in major vehicle and equipment repairs, decreases in auto and workers' compensation claims under our high deductible insurance program and a reduction in expected development costs recorded in prior years for open auto and workers' compensation claims. This adjustment to claim development costs was based on changes in estimates of actuarially projected losses on open claims determined by our third party administrator's review and a third party actuarial review of our estimated insurance liability.

Cost of operations as a percentage of revenues increased 0.7 percentage points to 59.8% for the year ended December 31, 2008, from 59.1% for the year ended December 31, 2007. The increase as a percentage of revenues was primarily attributable to increased diesel fuel expense and increased employee medical benefit expense, partially offset by decreased major vehicle and equipment repairs expense, increased prices charged to our customers being higher, on a percentage basis, than certain expense increases recognized subsequent to December 31, 2007, and decreased auto and workers' compensation insurance expense related to current and prior year claims.

SG&A. SG&A expenses increased $11.5 million, or 11.6%, to $111.1 million for the year ended December 31, 2008, from $99.6 million for the year ended December 31, 2007. The increase in SG&A expenses was primarily the result of additional personnel from acquisitions closed during, or subsequent to, the year ended December 31, 2007, increased payroll expense due to increased headcount to support our base operations, increased medical benefit expense, and increased incentive and equity compensation expenses, partially offset by decreased employee deferred compensation expense resulting from deferred compensation liabilities to employees being reduced as a result of declines in the market value of investments to which employee deferred compensation balances are tracked.

SG&A expenses as a percentage of revenues increased 0.2 percentage points to 10.6% for the year ended December 31, 2008, from 10.4% for the year ended December 31, 2007. The increase as a percentage of revenues was primarily attributable to increased payroll expense, increased incentive and equity compensation expense, partially offset by decreased employee deferred compensation expense.

Depreciation and Amortization. Depreciation and amortization expense increased $11.8 million, or 13.8%, to $97.4 million for the year ended December 31, 2008, from $85.6 million for the year ended December 31, 2007. The increase was primarily attributable to depreciation and amortization associated with acquisitions closed during, or subsequent to, the year ended December 31, 2007, additions to our fleet and equipment purchased to support our existing operations, and higher landfill depletion expense due to increased landfill construction and closure costs.

Depreciation and amortization expense as a percentage of revenues increased 0.4 percentage points to 9.3% for the year ended December 31, 2008, from 8.9% for the year ended December 31, 2007. The increase as a percentage of revenues was the result of amortization expense associated with intangible assets acquired during, or subsequent to, the year ended December 31, 2007, and fleet and equipment purchased to support our existing operations.

Operating Income. Operating income increased $5.4 million, or 2.6%, to $212.4 million for the year ended December 31, 2008, from $207.0 million for the year ended December 31, 2007. The increase for the year ended December 31, 2008, was primarily attributable to increased revenues, partially offset by increased operating costs, increased SG&A expenses to support the revenue growth and increased depreciation and amortization expenses.

Operating income as a percentage of revenues decreased 1.4 percentage points to 20.2% for the year ended December 31, 2008, from 21.6% for the year ended December 31, 2007. The decrease as a percentage of revenues was due to the previously described percentage of revenue increases in cost of operations, SG&A, and depreciation and amortization expense.

Interest Expense. Interest expense increased $3.8 million, or 10.9%, to $38.8 million for the year ended December 31, 2008, from $35.0 million for the year ended December 31, 2007. The increase for the year ended December 31, 2008, was attributable to increased average debt balances, partially offset by reduced average borrowing rates on the portion of our credit facility borrowings not fixed under interest rate swap agreements.

Interest Income. Interest income increased $1.7 million, or 107.0%, to $3.3 million for the year ended December 31, 2008, from $1.6 million for the year ended December 31, 2007. The increase for the year ended December 31, 2008, was attributable to higher average cash balances.

Minority Interests. Minority interests decreased $2.7 million, or 17.7%, to $12.2 million for the year ended December 31, 2008, from $14.9 million for the year ended December 31, 2007. The decrease was due to decreased earnings at PCRCD, primarily resulting from a decrease in revenues associated with reduced disposal volumes, and our acquisition of the remaining 49% interest in PCRCD, effective November 3, 2008. Our minority interests expense would have been $13.7 million for the year ended December 31, 2008, if we had not purchased the remaining 49% interest in PCRCD.

Income Tax Provision. Income taxes decreased $1.5 million, or 2.5%, to $58.4 million for the year ended December 31, 2008, from $59.9 million for the year ended December 31, 2007.

Our effective tax rates for the years ended December 31, 2007 and 2008, were 37.7% and 35.6%, respectively. The decrease in the effective tax rate during the year ended December 31, 2008, was due to recording adjustments to reduce income tax expense by $4.9 million, resulting primarily from changes to the geographical apportionment of our state taxes, the reversal of certain tax contingencies for which the statute of limitations expired in 2008, and the reconciliation of the income tax provision to the 2007 federal and state tax returns, which were filed during 2008.

Years Ended December 31, 2007 and 2006

Revenues. Total revenues increased $134.1 million, or 16.3%, to $958.5 million for the year ended December 31, 2007, from $824.4 million for the year ended December 31, 2006. Acquisitions closed during, or subsequent to, the year ended December 31, 2006, increased revenues by approximately $51.9 million. Operating locations disposed of during the year ended December 31, 2006, contributed $3.6 million of revenues during the year ended December 31, 2006. During the year ended December 31, 2007, increased prices charged to our customers, increased volume in our existing business, and revenues generated from two long-term contracts that commenced in 2007 resulted in net revenue increases of approximately $38.2 million, $12.6 million and $20.2 million, respectively. Increased recyclable commodity prices and volume during the year ended December 31, 2007, increased revenues by $13.0 million. Other revenues increased by $1.8 million during the year ended December 31, 2007.

Cost of Operations. Total cost of operations increased $73.3 million, or 14.9%, to $566.1 million for the year ended December 31, 2007, from $492.8 million for the year ended December 31, 2006. The increase was attributable to operating costs associated with acquisitions closed during, or subsequent to, the year ended December 31, 2006, operating costs incurred to support two long-term contracts that commenced in 2007, increased diesel fuel prices, increased labor expenses resulting from employee pay rate increases, increased vehicle and equipment maintenance and repair costs, increased franchise taxes, landfill taxes, third party trucking expenses and increased disposal expenses resulting from higher disposal volumes.

Cost of operations as a percentage of revenues decreased 0.7 percentage points to 59.1% for the year ended December 31, 2007, from 59.8% for the year ended December 31, 2006. The decrease as a percentage of revenues was primarily attributable to leveraging existing personnel to support increased collection and disposal volumes, and increased prices charged to our customers being higher, on a percentage basis, than the majority of expense increases recognized subsequent to December 31, 2006. This decrease was partially offset by acquisitions closed during, or subsequent to, the year ended December 31, 2006, and the commencement of a long-term hauling contract in California that commenced in 2007, which had an operating margin below our company average.

SG&A. SG&A expenses increased $15.1 million, or 17.8%, to $99.6 million for the year ended December 31, 2007, from $84.5 million for the year ended December 31, 2006. The increase in SG&A expenses was primarily the result of additional personnel from acquisitions closed during, or subsequent to, the year ended December 31, 2006, SG&A costs incurred to support two long-term contracts that commenced in 2007, increased payroll expense due to increased headcount to support our base operations, increased equity compensation expense, cash compensation increases and increased bonus compensation expense based on the results of operations during the year ended December 31, 2007.

SG&A expenses as a percentage of revenues increased 0.2 percentage points to 10.4% for the year ended December 31, 2007, from 10.2% for the year ended December 31, 2006. The increase as a percentage of revenues was primarily attributable to increased equity and bonus compensation expense.

Depreciation and Amortization. Depreciation and amortization expense increased $10.7 million, or 14.4%, to $85.6 million for the year ended December 31, 2007, from $74.9 million for the year ended December 31, 2006. The increase was primarily attributable to depreciation of property and equipment and amortization of intangibles associated with acquisitions closed during, or subsequent to, the year ended December 31, 2006, higher landfill depletion expense due to increased disposal volumes at our landfills, and depreciation expense resulting from facilities, fleet and equipment purchased to support two long-term contracts that commenced in 2007.

Depreciation and amortization expense as a percentage of revenues decreased 0.2 percentage points to 8.9% for the year ended December 31, 2007, from 9.1% for the year ended December 31, 2006. The decrease as a percentage of revenues was the result of increased prices charged to our customers and leveraging our existing fleet and equipment to support increases in collection and landfill volumes.

Operating Income. Operating income increased $35.6 million, or 20.8%, to $207.0 million for the year ended December 31, 2007, from $171.4 million for the year ended December 31, 2006. The increase was primarily attributable to increased revenues, partially offset by increased operating costs, increased SG&A expenses to support the revenue growth and increased depreciation and amortization expenses.

Operating income as a percentage of revenues increased 0.8 percentage points to 21.6% for the year ended December 31, 2007, from 20.8% for the year ended December 31, 2006. The increase as a percentage of revenues was due to the previously described decreases in cost of operations and depreciation and amortization expenses as a percentage of revenues, partially offset by increased SG&A expense.

Interest Expense. Interest expense increased $4.9 million, or 16.3%, to $35.0 million for the year ended December 31, 2007, from $30.1 million for the year ended December 31, 2006. The increase was attributable to higher average borrowing rates on our credit facility, higher average debt balances and a $1.0 million reduction of interest expense for the year ended December 31, 2006 on our Floating Rate Convertible Subordinated Notes due 2022, or 2022 Notes, as a result of the timing of the conversion of the 2022 Notes into common stock by the note holders after we called the notes for redemption, partially offset by a reduction in our average interest rate on debt incurred outside of our credit facility resulting from completing our offering of our 3.75% Convertible Senior Notes due 2026, or 2026 Notes, on March 20, 2006. The higher average borrowing rates on our credit facility were the result of the expiration in the first quarter of 2007 of $250.0 million of interest rate swap agreements with a weighted-average fixed borrowing cost of 2.55%, plus applicable margin, which we were a party to during the year ended December 31, 2006. Upon the expiration of these interest rate swaps, we entered into $250.0 million of new interest rate swaps with a weighted-average fixed borrowing cost of 4.33%, plus applicable margin.

Other Income (Expense). Other income (expense) changed to an income total of $0.3 million for the year ended December 31, 2007, from an expense total of $3.8 million for the year ended December 31, 2006. Other expense in the year ended December 31, 2006, primarily consisted of $4.2 million of costs associated with the write-off of the unamortized debt issuance costs associated with our 2022 Notes.

Minority Interests. Minority interests increased $2.0 million, or 15.2%, to $14.9 million for the year ended December 31, 2007, from $12.9 million for the year ended December 31, 2006. The increase in minority interests was due to increased earnings by our majority-owned subsidiaries.

Income Tax Provision. Income taxes increased $11.6 million, or 24.0%, to $59.9 million for the year ended December 31, 2007, from $48.3 million for the year ended December 31, 2006.

Our effective tax rates for the years ended December 31, 2006 and 2007, were 38.4% and 37.7%, respectively. The decrease in the effective tax rate during the year ended December 31, 2007, was due to recording adjustments to reduce income tax expense by $2.1 million, resulting from the reconciliation of our current and deferred income tax liability accounts, the reversal of certain tax contingencies that expired in 2007, and the reconciliation of the income tax provision to the 2006 federal tax return, which was filed in September 2007.

Net Income. Net income increased $21.7 million, or 28.0%, to $99.1 million for the year ended December 31, 2007, from $77.4 million for the year ended December 31, 2006. The increase was primarily attributable to increased operating income partially offset by increased interest expense and increased income tax expense.

Liquidity and Capital Resources

The following table sets forth certain cash flow information for the years ended December 31, 2006, 2007 and 2008 (in thousands):

	2006	2007	2008
Net cash provided by operating activities	$ 204,234	$ 219,069	$ 270,409
Net cash used in investing activities	(134,550)	(235,609)	(467,647)
Net cash provided by (used in) financing activities	(42,249)	(8,111)	452,204
Net increase (decrease) in cash	27,435	(24,651)	254,966
Cash at beginning of year	7,514	34,949	10,298
Cash at end of year	$ 34,949	$ 10,298	$ 265,264

Operating Activities Cash Flows

For the year ended December 31, 2008, net cash provided by operating activities was $270.4 million. For the year ended December 31, 2007, net cash provided by operating activities was $219.1 million. The $51.3 million net increase in cash attributable to operating activities was primarily due to the following:

1) An increase in the change in deferred income taxes of $19.5 million due primarily to an increase in tax deductible timing differences for depreciation expense, amortization expense and landfill closure and post-closure expense;
2) An increase in depreciation and amortization expense of $11.8 million;
3) An increase of $7.7 million attributable to a decrease in the excess tax benefit associated with equity-based compensation, due to a reduction in stock option exercises resulting in reduced taxable income recognized by employees that is tax deductible by us; and
4) An increase in cash flows from operating assets and liabilities, net of effects from acquisitions, of $6.3 million to $18.4 million for the year ended December 31, 2008, from $12.1 million for the year ended December 31, 2007. The significant components of the $18.4 million in cash flows from changes in operating assets and liabilities include the following:
   a) an increase from accounts receivable of $18.8 million, due to improved accounts receivable turnover in 2008,
   b) a combined increase from accounts payable and accrued liabilities of $6.4 million, due primarily to an increase in accrued interest due to changes in the payment timing for LIBOR-based borrowings and our issuance in 2008 of $175 million of senior unsecured notes due October 1, 2015, which pay interest semi-annually on April 1 and October 1, less,
   c) a decrease from other long-term liabilities of $6.2 million due primarily to the 2008 expiration of certain accrued tax contingencies and interim capping expenditures at one of our landfills.

For the year ended December 31, 2007, net cash provided by operating activities was $219.1 million. For the year ended December 31, 2006, net cash provided by operating activities was $204.2 million. The $14.9 million net increase in cash attributable to operating activities was primarily due to the following:

1) An increase in net income of $21.7 million;
2) An increase in depreciation and amortization expense of $10.8 million; less
3) A decrease in the change in deferred income taxes of $14.1 million due primarily to our receipt in 2006 of written approval from the Internal Revenue Service to exclude probable expansion airspace from our calculation of landfill final capping, closure and post-closure costs for tax purposes, which resulted in the recording of a $11.2 million deferred tax liability in 2006; and
4) A decrease of $6.4 million attributable to an increase in the excess tax benefit associated with equity-based compensation, due to an increase in stock option exercises resulting in increased taxable income recognized by employees that is tax deductible by us.

As of December 31, 2008, we had working capital of $213.7 million, including cash and equivalents of $265.3 million. Our working capital increased $238.5 million from a working capital deficit of $24.8 million at December 31, 2007. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements to reduce our indebtedness under our credit facility and to minimize our cash balances. Our increased cash and working capital positions at December 31, 2008, were primarily due to the proceeds received from the September

2008 sale of 12,650,000 shares of our common stock in a public offering and issuance in October 2008 of $175 million of senior unsecured notes being in excess of cash used to fund acquisitions closed in the later portion of 2008.

Investing Activities Cash Flows

Net cash used in investing activities increased $232.0 million to $467.6 million for the year ended December 31, 2008, from $235.6 million for the year ended December 31, 2007. The significant components of the increase include the following:

1) An increase in payments for acquisitions of $245.7 million; less
2) A decrease in capital expenditures for property and equipment of $10.7 million, due primarily to non-recurring capital expenditures incurred during the year ended December 31, 2007, associated with a new long-term contract in California.

Net cash used in investing activities increased $101.1 million to $235.6 million for the year ended December 31, 2007, from $134.5 million for the year ended December 31, 2006. The significant components of the increase include the following:

1) An increase in capital expenditures for property and equipment of $27.7 million, due to the aforementioned expenditures incurred in 2007 associated with a new long-term contract in California and equipment purchases at other operations to support our growth; and
2) An increase in payments for acquisitions of $70.8 million.

Financing Activities Cash Flows

Net cash flows from financing activities increased $460.3 million to a net cash provided by financing activities total of $452.2 million for the year ended December 31, 2008, from a net cash used in financing activities total of $8.1 million for the year ended December 31, 2007. The significant components of the increase include the following:

1) An increase in proceeds from our common stock offering of $393.9 million, due to the September 2008 sale of 12,650,000 shares of our common stock in a public offering;
2) An increase in proceeds from long-term debt, net of principal payments, of $20.7 million; less
3) A decrease in payments to repurchase common stock of $78.8 million, due to our election not to repurchase stock after March 31, 2008, and to use our available capital to fund acquisition opportunities; less
4) A change in book overdraft of $13.3 million resulting from fluctuations in our outstanding cash balances at banks for which outstanding check balances can be offset; less
5) A decrease in proceeds from option and warrant exercises of $16.5 million due to a decrease in the number of options and warrants exercised in 2008; and
6) A decrease in the excess tax benefit associated with equity-based compensation of $7.7 million, due to the aforementioned decrease in options and warrants exercised in 2008.

Net cash used in financing activities decreased $34.1 million to $8.1 million for the year ended December 31, 2007, from $42.2 million for the year ended December 31, 2006. The significant components of the decrease include the following:

1) A change in book overdraft of $17.7 million resulting from fluctuations in our outstanding cash balances at banks for which outstanding check balances can be offset;
2) An increase in proceeds from long-term debt, net of principal repayments, of $12.5 million;
3) An increase in the excess tax benefit associated with equity-based compensation of $6.4 million, due to an increase in stock option exercises resulting in increased taxable income recognized by employees that is tax deductible by us;
4) A decrease in debt issuance costs of $5.5 million due to our incurring $5.5 million of non-recurring debt issuance costs in 2006 associated with our sale of $200 million of the 2026 Notes; less
5) An increase in payments to repurchase common stock of $10.3 million, due to differences in the timing and amount of repurchases.

Our business is capital intensive. Our capital requirements include acquisitions and fixed asset purchases. We expect that we will also make capital expenditures for landfill cell construction, landfill development, landfill closure activities and intermodal facility construction in the future.

Our Board of Directors has authorized a common stock repurchase program for the repurchase of up to $500 million of common stock through December 31, 2009. As of December 31, 2007 and 2008, we had repurchased 16.2 million and 17.3 million shares, respectively of our common stock at a cost of $397.2 million and $428.7 million, respectively. As of December 31, 2008, the remaining maximum dollar value of shares available for purchase under the program was approximately $80.2 million.

We made $113.5 million in capital expenditures during the year ended December 31, 2008. We expect to make capital expenditures of approximately $110 million in 2009 in connection with our existing business. We intend to fund our planned 2009 capital expenditures principally through internally generated funds. In addition, we may make substantial additional capital expenditures in acquiring solid waste collection and disposal businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, credit facility and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets, as were experienced during 2008, could adversely affect our ability to draw on our credit facility. Our access to funds under the credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

We have an $845 million senior revolving credit facility, or the credit facility, with a syndicate of banks for which Bank of America, N.A. acts as agent. As of December 31, 2006, $400.0 million was outstanding under our previous credit facility, exclusive of outstanding standby letters of credit of $59.1 million. As of December 31, 2007, $479.0 million was outstanding under our credit facility, exclusive of outstanding standby letters of credit of $68.3 million. As of December 31, 2008, $400.0 million was outstanding under the credit facility, exclusive of outstanding standby letters of credit of $81.4 million.

The credit facility requires interest payments as outlined in the credit agreement and matures in September 2012. Under the credit facility, there is no maximum amount of standby letters of credit that can be issued; however, the issuance of standby letters of credit reduces the amount of total borrowings available. The credit facility requires us to pay a commitment fee ranging from 0.15% to 0.20% of the unused portion of the facility. The borrowings under the credit facility bear interest, at our option, at either the base rate plus the applicable base rate margin on base rate loans, or the Eurodollar rate plus the applicable Eurodollar margin on Eurodollar loans. The base rate for any day is a fluctuating rate per annum equal to the higher of: (1) the federal funds rate plus one half of one percent (0.5%); and (2) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The Eurodollar rate is determined by the administrative agent pursuant to a formula in the credit agreement governing the credit facility. The applicable margins under the credit facility vary depending on our leverage ratio, as defined in the credit agreement, and range from 0.625% to 1.125% for Eurodollar loans and 0.00% for base rate loans. The borrowings under the credit facility are not collateralized. The credit agreement governing the credit facility contains representations and warranties and places certain business, financial and operating restrictions on us relating to, among other things, indebtedness, liens and other encumbrances, investments, mergers and acquisitions, asset sales, sale and leaseback transactions, and dividends, distributions and redemptions of capital stock. The credit facility requires that we maintain specified financial ratios. As of December 31, 2007 and 2008, we were in compliance with all applicable covenants in the credit facility. We use the credit facility for acquisitions, capital expenditures, working capital, standby letters of credit and general corporate purposes.

On July 15, 2008, we entered into a Master Note Purchase Agreement with certain accredited institutional investors pursuant to which we issued and sold to the investors at a closing on October 1, 2008, $175 million of senior uncollateralized notes due October 1, 2015 (the "2015 Notes"), in a private placement. The 2015 Notes bear interest at the fixed rate of 6.22% per annum with interest payable in arrears semi-annually on April 1 and October 1 beginning on April 1, 2009, and with principal payable at the maturity of the 2015 Notes on October 1, 2015.

The 2015 Notes are uncollateralized obligations and rank equally with obligations under our senior uncollateralized revolving credit facility. The 2015 Notes are subject to representations, warranties, covenants and events of default. Upon the occurrence of an event of default, payment of the 2015 Notes may be accelerated by the holders of the 2015 Notes. The 2015 Notes may also be prepaid by us at any time at par plus a make-whole amount determined in respect of the remaining scheduled interest payments on the 2015 Notes, using a discount rate of the then current market standard for United States treasury bills plus 0.50%. In addition, we will be required to offer to prepay the 2015 Notes upon certain changes in control.

We may issue additional series of senior uncollateralized notes pursuant to the terms and conditions of the Agreement, provided that the purchasers of the 2015 Notes shall not have any obligation to purchase any additional notes issued pursuant to the Master Note