Purchase Agreement and the aggregate principal amount of the 2015 Notes and any additional notes issued pursuant to the Master Note Purchase Agreement shall not exceed $500 million.

On March 20, 2006, we completed the offering of $200 million aggregate principal amount of our 2026 Notes pursuant to a private placement. The terms and conditions of the 2026 Notes are set forth in the Indenture, dated as of March 20, 2006, between us and U.S. Bank National Association, as trustee. The 2026 Notes rank equally in right of payment to all of our other existing and future senior uncollateralized and unsubordinated indebtedness. The 2026 Notes rank senior in right of payment to all of our existing and future subordinated indebtedness and are subordinated in right of payment to our collateralized obligations to the extent of the assets collateralizing such obligations. The 2026 Notes bear interest at 3.75% per annum payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2006, until the maturity date of April 1, 2026.

The 2026 Notes are convertible into cash and, if applicable, shares of common stock based on an initial conversion rate of 29.4118 shares of common stock per $1,000 principal amount of 2026 Notes (which is equal to an initial conversion price of approximately $34.00 per share), subject to adjustment, and only under certain circumstances. Upon a surrender of the 2026 Notes for conversion, we will deliver cash equal to the lesser of the aggregate principal amount of notes to be converted and our total conversion obligation. We will deliver shares of our common stock in respect of the remainder, if any, of our conversion obligation. The holders of the 2026 Notes who convert their notes in connection with a change in control (as defined in the Indenture) may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Holders may surrender the 2026 Notes for conversion into cash and, if applicable, shares of our common stock at any time prior to the close of business on the maturity date, if the closing sale price of our common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the quarter preceding the quarter in which the conversion occurs, is more than 130% of the conversion price per share of our common stock on that 30th day.

Beginning on April 1, 2010, we may redeem in cash all or part of the 2026 Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any, and, if redeemed prior to April 1, 2011, an interest make-whole payment. The holders of the 2026 Notes can require us to repurchase all or a part of the 2026 Notes in cash on each of April 1, 2011, 2016 and 2021, and in the event of a change of control of Waste Connections, at a purchase price of 100% of the principal amount of the 2026 Notes plus any accrued and unpaid interest, including additional interest, if any. We are amortizing the $5.5 million debt issuance costs over a five-year term through the first put date, or April 1, 2011.

As of December 31, 2008, we had the following contractual obligations (in thousands):

	Payments Due by Period				
Recorded Obligations	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 years**
Long-term debt	$ 835,456	$ 4,698	$ 203,978	$ 403,628	$ 223,152
Cash interest payments	176,499	41,991	71,647	33,044	29,817

Long-term debt payments include:

(1) $400.0 million in principal payments due 2012 related to our credit facility. Our credit facility bears interest, at our option, at either the base rate plus the applicable base rate margin (approximately 3.25% at December 31, 2008) on base rate loans, or the Eurodollar rate plus the applicable Eurodollar margin (approximately 2.5% at December 31, 2008) on Eurodollar loans. As of December 31, 2008, our credit facility allowed us to borrow up to $845 million.

(2) $200.0 million in principal payments due 2026 related to our 2026 Notes. Holders of the 2026 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2026 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the indenture, or, for the first time, on April 1, 2011. The 2026 Notes bear interest at a rate of 3.75%.

(3) $175.0 million in principal payments due 2015 related to our 2015 Notes. Holders of the 2015 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2015 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the master note purchase agreement. The 2015 Notes bear interest at a rate of 6.22%.

(4) $54.0 million in principal payments related to our tax-exempt bonds, of which $10.8 million bears interest at fixed rates (between 7.0% and 7.25%) and $43.2 million bears interest at variable rates (between 0.97% to 1.25%) at December 31, 2008. The tax-exempt bonds have maturity dates ranging from 2012 to 2033.

(5) $4.9 million in principal payments related to our notes payable to sellers. Our notes payable to sellers bear interest at rates between 5.5% and 10.35% at December 31, 2008, and have maturity dates ranging from 2009 to 2036.

(6) $1.6 million in principal payments related to our notes payable to third parties. Our notes payable to third parties bear interest at rates between 9.0% and 10.9% at December 31, 2008, and have maturity dates ranging from 2009 to 2019.

The following assumptions were made in calculating cash interest payments:

(1) We calculated cash interest payments on the credit facility using the Eurodollar rate plus the applicable Eurodollar margin at December 31, 2008. We assumed the credit facility is paid off when the credit facility matures in 2012.
(2) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the Eurodollar rate through the term of the swap.
(3) We calculated cash interest payments on the tax-exempt bonds using the interest rate at December 31, 2008.

The total liability for uncertain tax positions under FIN 48 at December 31, 2008, is approximately $2 million (refer to Note 13 to the consolidated financial statements). We are not able to reasonably estimate the amount by which the liability will increase or decrease over time; however, at this time, we do not expect a significant payment related to these obligations within the next year.

	Amount of Commitment Expiration Per Period				
Unrecorded Obligations	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 years**
Operating leases (1)	$ 71,169	$ 8,350	$ 15,132	$ 12,632	$ 35,055
Unconditional purchase obligations (1)	27,543	27,543	-	-	-
	98,712	35,893	15,132	12,632	35,055

(1) We are party to operating lease agreements and unconditional purchase obligations as discussed in Note 10 to the consolidated financial statements. These lease agreements and purchase obligations are established in the ordinary course of our business and are designed to provide us with access to facilities and products at competitive, market-driven prices. At December 31, 2008, our unconditional purchase obligations consist of multiple fixed-price fuel purchase contracts under which we have 10.5 million gallons remaining to be purchased for a total of $27.5 million, plus taxes and transportation upon delivery. The current fuel purchase contracts expire on or before December 31, 2009. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2008, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained standby letters of credit as discussed in Note 8 to the consolidated financial statements and financial surety bonds as discussed in Note 10 to the consolidated financial statements. These standby letters of credit and financial surety bonds are generally obtained to support our financial assurance needs and landfill operations. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2008, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

From time to time we evaluate our existing operations and their strategic importance to us. If we determine that a given operating unit does not have future strategic importance, we may sell or otherwise dispose of those operations. Although we believe our operations would not be impaired by such dispositions, we could incur losses on them.

New Accounting Pronouncements

For a description of the new accounting standards that affect us, see Note 1 to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

FREE CASH FLOW

We are providing free cash flow, a non-GAAP financial measure, because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. This measure should be used in conjunction with GAAP financial measures. Management uses free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define free cash flow as net cash provided by operating activities plus proceeds from disposal of assets and excess tax benefit associated with equity-based compensation, plus or minus change in book overdraft, less capital expenditures for property and equipment and distributions to minority interest holders. Other companies may calculate free cash flow differently. Our free cash flow for the years ended December 31, 2007 and 2008, is calculated as follows (in thousands):

	Years Ended December 31,	
	2007	**2008**
Net cash provided by operating activities	$ 219,069	$ 270,409
Change in book overdraft	8,835	(4,520)
Plus: Proceeds from disposal of assets	1,016	2,560
Plus: Excess tax benefit associated with equity-based compensation	14,137	6,441
Less: Capital expenditures for property and equipment	(124,234)	(113,496)
Less: Distributions to minority interest holders	(12,642)	(8,232)
Free cash flow	$ 106,181	$ 153,162

INFLATION

Other than volatility in fuel prices, inflation has not materially affected our operations. Consistent with industry practice, many of our contracts allow us to pass through certain costs to our customers, including increases in landfill tipping fees and, in some cases, fuel costs. Therefore, we believe that we should be able to increase prices to offset many cost increases that result from inflation in the ordinary course of business. However, competitive or economic pressures, or delays in the timing of rate increases under our contracts, may require us to absorb at least part of these cost increases, especially if cost increases exceed the average rate of inflation. Management's estimates associated with inflation have an impact on our accounting for landfill liabilities.

SEASONALITY

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 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 winter months in the U.S. 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. A continuing economic recession could also influence the percent change in revenues associated with seasonal fluctuations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to market risk, including changes in interest rates and prices of certain commodities. We use hedge agreements to manage a portion of our risks related to interest rates and fuel prices. While we are exposed to credit risk in the event of non-performance by counterparties to our hedge agreements, in all cases such counterparties are highly rated financial institutions and we do not anticipate non-performance. We do not hold or issue derivative financial instruments for trading purposes. We monitor our hedge positions by regularly evaluating the positions at market and by performing sensitivity analyses.

At December 31, 2008, our derivative instruments included nine interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands):

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
September 2005	$ 175,000	4.33%	1-month LIBOR	February 2007	February 2009
September 2005	$ 75,000	4.34%	1-month LIBOR	March 2007	March 2009
December 2005	$ 150,000	4.76%	1-month LIBOR	June 2006	June 2009
November 2007	$ 50,000	4.37%	1-month LIBOR	February 2009	February 2011
November 2007	$ 50,000	4.37%	1-month LIBOR	February 2009	February 2011
November 2007	$ 75,000	4.37%	1-month LIBOR	February 2009	February 2011
November 2007	$ 75,000	4.40%	1-month LIBOR	March 2009	March 2011
November 2007	$ 50,000	4.29%	1-month LIBOR	June 2009	June 2011
November 2007	$ 100,000	4.35%	1-month LIBOR	June 2009	June 2011

* plus applicable margin.

Under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), all the interest rate swap agreements are considered cash flow hedges for a portion of our variable rate debt, and we apply hedge accounting to account for these instruments. The notional amounts and all other significant terms of the swap agreements are matched to the provisions and terms of the variable rate debt being hedged.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our market risk sensitive hedge positions and all other debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at December 31, 2007 and 2008, of $114.8 million and $43.2 million, respectively, including floating rate debt under our credit facility, various floating rate notes payable to third parties and floating rate municipal bond obligations. A one percent increase in interest rates on our variable-rate debt as of December 31, 2007 and 2008, would decrease our annual pre-tax income by approximately $1.1 million and $0.4 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations.

The market price of diesel fuel is unpredictable and can fluctuate significantly. A significant increase in the price of fuel could adversely affect our business and reduce our operating margins. 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 ("fuel hedges").

The following table summarizes the fuel hedges as of December 31, 2008:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed	Diesel Rate Received Variable	Effective Date	Expiration Date
October 2008	250,000	$3.750	DOE Diesel Fuel Index*	January 2009	December 2010
October 2008	100,000	3.745	DOE Diesel Fuel Index*	January 2009	December 2010
October 2008	250,000	3.500	DOE Diesel Fuel Index*	January 2009	December 2010
December 2008	100,000	3.000	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	150,000	3.000	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	150,000	2.820	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	150,000	2.700	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	400,000	2.950	DOE Diesel Fuel Index*	January 2011	December 2011
December 2008	400,000	3.030	DOE Diesel Fuel Index*	January 2012	December 2012

*If the national U.S. on-highway average price for a gallon of diesel fuel ("average price"), as published by the Department of Energy, exceeds the contract price per gallon, we receive the difference between the average price and the contract price (multiplied by the notional gallons) from the counterparty. If the national U.S. on-highway average price for a gallon of diesel fuel is less than the contract price per gallon, we pay the difference to the counterparty.

Under SFAS 133, all the fuel hedges are considered cash flow hedges for a portion of our forecasted diesel fuel purchases, and we will apply hedge accounting to account for these instruments.

Additionally, we purchase a majority of our fuel at market prices; however, in order to mitigate the impact of adverse fuel price changes, we entered into multiple fixed-price fuel purchase contracts which expire on or before December 31, 2009. As of December 31, 2008, we had 10.5 million gallons remaining to be purchased for a total unconditional purchase obligation of $27.5 million, plus taxes and transportation upon delivery.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our market risk sensitive hedge positions and all other diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We purchase approximately 24 million gallons of diesel fuel per year. We have entered into fixed-price fuel purchase contracts for a total of 10.5 million gallons of diesel fuel which expire on or before December 31, 2009, and have hedged 7.2 million gallons of diesel fuel for the year ending December 31, 2009. If we purchased all of our unhedged fuel at market prices, a $0.10 per gallon increase in the price of fuel over a one-year period would decrease our annual pre-tax income by approximately $0.6 million.

We market a variety of recyclable materials, including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate 34 recycling processing operations and sell other collected recyclable materials to third parties for processing before resale. Certain of our municipal recycling contracts in the state of Washington specify benchmark resale prices for recycled commodities. If the prices we actually receive for the processed recycled commodities collected under the contract exceed the prices specified in the contract, we share the excess with the municipality, after recovering any previous shortfalls resulting from actual market prices falling below the prices specified in the contract. To reduce our exposure to commodity price 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. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the years ending December 31, 2007 and 2008, would have had a $3.9 million and $3.7 million impact on revenues for the years ended December 31, 2007 and 2008, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

WASTE CONNECTIONS, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Waste Connections, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Waste Connections, Inc. and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 13 to the consolidated financial statements, the Company changed the manner in which it accounts for uncertainty in income taxes in 2007.

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

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

/s/ PricewaterhouseCoopers LLP
Sacramento, CA
February 10, 2009

WASTE CONNECTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	December 31, 2007	December 31, 2008
ASSETS		
Current assets:		
Cash and equivalents	$ 10,298	$ 265,264
Accounts receivable, net of allowance for doubtful accounts of $4,387 and $3,846 at December 31, 2007 and 2008, respectively	123,882	118,456
Deferred income taxes	14,732	22,347
Prepaid expenses and other current assets	21,953	23,144
Total current assets	170,865	429,211
Property and equipment, net	865,330	984,124
Goodwill	811,049	836,930
Intangible assets, net	93,957	306,444
Restricted assets	19,300	23,009
Other assets, net	21,457	20,922
	$ 1,981,958	$ 2,600,640
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 59,912	$ 65,537
Book overdraft	8,835	4,315
Accrued liabilities	69,578	95,220
Deferred revenue	44,074	45,694
Current portion of long-term debt and notes payable	13,315	4,698
Total current liabilities	195,714	215,464
Long-term debt and notes payable	719,518	830,758
Other long-term liabilities	38,053	47,509
Deferred income taxes	223,308	251,514
Total liabilities	1,176,593	1,345,245
Commitments and contingencies (Note 10)		
Minority interests	30,220	668
Stockholders' equity:		
Preferred stock: $0.01 par value per share; 7,500,000 shares authorized; none issued and outstanding	-	-
Common stock: $0.01 par value per share; 150,000,000 shares authorized; 67,052,135 and 79,842,239 shares issued and outstanding at December 31, 2007 and 2008, respectively	670	798
Additional paid-in capital	254,284	647,829
Retained earnings	524,481	630,037
Accumulated other comprehensive loss	(4,290)	(23,937)
Total stockholders' equity	775,145	1,254,727
	$ 1,981,958	$ 2,600,640

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31,		
	2006	**2007**	**2008**
Revenues	$ 824,354	$ 958,541	$ 1,049,603
Operating expenses:			
Cost of operations	492,766	566,089	628,075
Selling, general and administrative	84,541	99,565	111,114
Depreciation and amortization	74,865	85,628	97,429
Loss on disposal of assets	796	250	629
Operating income	171,386	207,009	212,356
Interest expense	(30,110)	(35,023)	(38,824)
Interest income	1,140	1,593	3,297
Other income (expense), net	(3,759)	289	(633)
Income before income tax provision and minority interests	138,657	173,868	176,196
Minority interests	(12,905)	(14,870)	(12,240)
Income from continuing operations before income taxes	125,752	158,998	163,956
Income tax provision	(48,329)	(59,917)	(58,400)
Net income	$ 77,423	$ 99,081	$ 105,556
Basic earnings per common share	$ 1.14	$ 1.45	$ 1.51
Diluted earnings per common share	$ 1.10	$ 1.42	$ 1.48
Shares used in calculating basic income per share	68,136,126	68,238,523	70,024,874
Shares used in calculating diluted income per share	70,408,673	69,994,713	71,419,712

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

		STOCKHOLDERS' EQUITY								
	COMPREHENSIVE INCOME	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED STOCK COMPENSATION	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	RETAINED EARNINGS	TOTAL
Balances at December 31, 2005		68,887,025	$ 459	$ 373,382	$ 4,957	$ (2,234)	159,900	$ (3,672)	$ 345,308	$ 718,200
Vesting of restricted stock		56,628	-	-	-	-	-	-	-	-
Cancellation of restricted stock		(19,182)	-	(446)	-	-	-	-	-	(446)
Stock-based compensation		-	-	3,451	-	-	-	-	-	3,451
Exercise of stock options and warrants		2,082,708	14	32,132	-	-	-	-	-	32,146
Excess tax benefit associated with equity-based compensation		-	-	7,728	-	-	-	-	-	7,728
Repurchase of common stock		(4,182,900)	(28)	(100,217)	-	-	-	-	-	(100,245)
Retirement of treasury stock		-	-	(3,672)	-	-	(159,900)	3,672	-	-
Conversion of 2022 Floating Rate Convertible Subordinated Notes		1,441,762	10	(10)	-	-	-	-	-	-
Issuance of common stock warrants to consultants		-	-	115	-	-	-	-	-	115
Cumulative change from adoption of accounting policy – SFAS 123(R)		-	-	(2,234)	-	2,234	-	-	-	-
Amounts reclassified into earnings, net of taxes		-	-	-	(4,243)	-	-	-	-	(4,243)
Changes in fair value of interest rate swaps, net of taxes		-	-	-	2,353	-	-	-	-	2,353
Net income	$ 77,423	-	-	-	-	-	-	-	77,423	77,423
Other comprehensive loss	(2,887)	-	-	-	-	-	-	-	-	-
Income tax effect of other comprehensive loss	997	-	-	-	-	-	-	-	-	-
Comprehensive income	$ 75,533	-	-	-	-	-	-	-	-	-
Balances at December 31, 2006		68,266,041	$ 455	$ 310,229	$ 3,067	$ -	-	$ -	$ 422,731	$ 736,482
Stock split		-	228	-	-	-	-	-	(228)	-
Vesting of restricted stock		168,268	2	(2)	-	-	-	-	-	-
Cancellation of restricted stock and warrants		(54,498)	(1)	(1,636)	-	-	-	-	-	(1,637)
Stock-based compensation		-	-	6,128	-	-	-	-	-	6,128
Exercise of stock options and warrants		2,246,454	22	35,598	-	-	-	-	-	35,620
Excess tax benefit associated with equity-based compensation		-	-	14,137	-	-	-	-	-	14,137
Repurchase of common stock		(3,574,130)	(36)	(110,293)	-	-	-	-	-	(110,329)
Issuance of common stock warrants to consultants		-	-	123	-	-	-	-	-	123
Cumulative change from adoption of accounting policy – FIN 48		-	-	-	-	-	-	-	2,897	2,897
Amounts reclassified into earnings, net of taxes		-	-	-	(2,320)	-	-	-	-	(2,320)
Changes in fair value of interest rate swaps, net of taxes		-	-	-	(5,037)	-	-	-	-	(5,037)
Net income	$ 99,081	-	-	-	-	-	-	-	99,081	99,081
Other comprehensive loss	(11,981)	-	-	-	-	-	-	-	-	-
Income tax effect of other comprehensive loss	4,624	-	-	-	-	-	-	-	-	-
Comprehensive income	$ 91,724	-	-	-	-	-	-	-	-	-
Balances at December 31, 2007		67,052,135	$ 670	$ 254,284	$ (4,290)	$ -	-	$ -	$ 524,481	$ 775,145
Vesting of restricted stock		222,863	2	(2)	-	-	-	-	-	-
Cancellation of restricted stock and warrants		(72,082)	(1)	(2,192)	-	-	-	-	-	(2,193)
Stock-based compensation		-	-	7,854	-	-	-	-	-	7,854
Exercise of stock options and warrants		1,030,594	10	19,079	-	-	-	-	-	19,089
Issuance of common stock, net of issuance costs of $17,195		12,650,000	127	393,803	-	-	-	-	-	393,930
Excess tax benefit associated with equity-based compensation		-	-	6,441	-	-	-	-	-	6,441
Repurchase of common stock		(1,041,271)	(10)	(31,517)	-	-	-	-	-	(31,527)
Issuance of common stock warrants to consultants		-	-	79	-	-	-	-	-	79
Amounts reclassified into earnings, net of taxes		-	-	-	4,010	-	-	-	-	4,010
Changes in fair value of swaps, net of taxes		-	-	-	(23,657)	-	-	-	-	(23,657)
Net income	$ 105,556	-	-	-	-	-	-	-	105,556	105,556
Other comprehensive loss	(31,609)	-	-	-	-	-	-	-	-	-
Income tax effect of other comprehensive loss	11,962	-	-	-	-	-	-	-	-	-
Comprehensive income	$ 85,909	-	-	-	-	-	-	-	-	-
Balances at December 31, 2008		79,842,239	$ 798	$ 647,829	$ (23,937)	$ -	-	$ -	$ 630,037	$ 1,254,727

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Years Ended December 31, 2006	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 77,423	$ 99,081	$ 105,556
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on disposal of assets	796	250	629
Depreciation	70,785	81,287	91,095
Amortization of intangibles	4,080	4,341	6,334
Deferred income taxes, net of acquisitions	26,585	12,440	31,902
Minority interests	12,905	14,870	12,240
Amortization of debt issuance costs	6,238	2,182	1,966
Stock-based compensation	3,451	6,128	7,854
Interest income on restricted assets	(618)	(684)	(543)
Closure and post-closure accretion	623	1,155	1,400
Excess tax benefit associated with equity-based compensation	(7,728)	(14,137)	(6,441)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(4,928)	(17,514)	18,768
Prepaid expenses and other current assets	(1,083)	(8,077)	335
Accounts payable	(4,306)	2,888	(54)
Deferred revenue	324	7,870	(829)
Accrued liabilities	19,245	27,162	6,426
Other long-term liabilities	442	(173)	(6,229)
Net cash provided by operating activities	204,234	219,069	270,409
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for acquisitions, net of cash acquired	(38,594)	(109,429)	(355,150)
Capital expenditures for property and equipment	(96,519)	(124,234)	(113,496)
Proceeds from disposal of assets	2,198	1,016	2,560
Increase in restricted assets, net of interest income	(1,411)	(2,698)	(2,653)
Decrease (increase) in other assets	(224)	(264)	1,092
Net cash used in investing activities	(134,550)	(235,609)	(467,647)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	666,035	626,000	302,000
Principal payments on notes payable and long-term debt	(621,161)	(568,607)	(223,854)
Change in book overdraft	(8,869)	8,835	(4,520)
Proceeds from option and warrant exercises	32,146	35,620	19,089
Excess tax benefit associated with equity-based compensation	7,728	14,137	6,441
Distributions to minority interest holders	(11,270)	(12,642)	(8,232)
Payments for repurchase of common stock	(100,245)	(110,329)	(31,527)
Proceeds from common stock offering, net	-	-	393,930
Debt issuance costs	(6,613)	(1,125)	(1,123)
Net cash (used in) provided by financing activities	(42,249)	(8,111)	452,204
Net increase (decrease) in cash and equivalents	27,435	(24,651)	254,966
Cash and equivalents at beginning of year	7,514	34,949	10,298
Cash and equivalents at end of year	$ 34,949	$ 10,298	$ 265,264

The accompanying notes are an integral part of these consolidated financial statements.

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH TRANSACTIONS:

	Years Ended December 31, 2006	2007	2008
Cash paid for income taxes	$ 15,006	$ 35,260	$ 24,635
Cash paid for interest	$ 28,534	$ 33,418	$ 32,626
Conversion of 2022 Convertible Subordinated Notes to equity	$ 10	$ -	$ -
In connection with its acquisitions, the Company assumed liabilities as follows:			
Fair value of assets acquired	$ 44,919	$ 162,425	$ 359,114
Elimination of minority interest	-	-	33,560
Cash paid and warrants issued for current year acquisitions	(37,560)	(107,772)	(354,180)
Net assets used as consideration for acquisitions	(893)	-	-
Liabilities assumed and notes payable issued to sellers of businesses acquired	$ 6,466	$ 54,653	$ 38,494

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Waste Connections, Inc. ("WCI" or "the Company") was incorporated in Delaware on September 9, 1997, and commenced its operations on October 1, 1997, through the purchase of certain solid waste operations in the state of Washington. The Company is an integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services to commercial, industrial and residential customers in the states of 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. The Company also provides intermodal services for the movement of containers in the Pacific Northwest.

Basis of Presentation

These consolidated financial statements include the accounts of WCI and its wholly-owned and majority-owned subsidiaries. The consolidated entity is referred to herein as the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at purchase to be cash equivalents. As of December 31, 2007 and 2008, cash equivalents consisted of demand money market accounts.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains cash and cash equivalents with banks that at times exceed applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with high quality financial institutions. The Company has not experienced any losses in such accounts. The Company generally does not require collateral on its trade receivables. Credit risk on accounts receivable is minimized as a result of the large and diverse nature of the Company's customer base. The Company maintains allowances for losses based on the expected collectability of accounts receivable.

Revenue Recognition and Accounts Receivable

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been provided, the price is fixed or determinable and collection is reasonably assured. Certain customers are billed in advance and, accordingly, recognition of the related revenues is deferred until the services are provided. In accordance with Emerging Issues Task Force ("EITF") 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*, any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer is presented in the statements of income on a net basis (excluded from revenues).

The Company's receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The Company estimates its allowance for doubtful accounts based on historical collection trends, type of customer such as municipal or non-municipal, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when the Company's internal collection efforts have been unsuccessful in collecting the amount due.

Property and Equipment

Property and equipment are stated at cost. Improvements or betterments, not considered to be maintenance and repair, which add new functionality or significantly extend the life of an asset are capitalized. Third-party expenditures related to pending development projects, such as legal, engineering and interest expenses, are capitalized. Expenditures for maintenance and repair costs, including planned major maintenance activities, are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains and losses resulting from disposals of property and equipment are recognized in the period in which the property and equipment is disposed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The estimated useful lives are as follows:

Buildings	20 years
Land improvements	3 - 20 years
Machinery and equipment	3 - 12 years
Rolling stock	5 - 10 years
Containers	5 - 12 years
Rail cars	20 years

Landfill Accounting

The Company utilizes the life cycle method of accounting for landfill costs. This method applies the costs to be capitalized associated with acquiring, developing, closing and monitoring the landfills over the associated consumption of landfill capacity. The Company utilizes the units of consumption method to amortize landfill development costs over the estimated remaining capacity of a landfill. Under this method, the Company includes future estimated construction costs using current dollars, as well as costs incurred to date, in the amortization base. When certain criteria are met, the Company includes expansion airspace, which has not been permitted, in the calculation of the total remaining capacity of the landfill.

– 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. The Company estimates the total costs associated with developing each landfill site to its final capacity. This includes certain projected landfill site costs that are uncertain because they are dependent on future events and thus actual costs could vary significantly from estimates. The total cost to develop a site to its final capacity includes amounts previously expended and capitalized, net of accumulated depletion, and projections of future purchase and development costs, liner construction costs, operating construction costs and capitalized interest costs. Total landfill costs include the development costs associated with expansion airspace. Expansion airspace is addressed below.

– Final capping, closure and post-closure obligations. The Company accrues for estimated final capping, closure and post-closure maintenance obligations at the landfills it owns and the landfills that it operates, but does not own under life-of-site agreements. Accrued final capping, closure and post-closure costs represent an estimate of the current value of the future obligation associated with final capping, closure and post-closure monitoring of non-hazardous solid waste landfills currently owned or operated under life-of-site agreements by the Company. Final capping costs represent the costs related to installation of clay liners, drainage and compacted soil layers and topsoil constructed over areas of the landfill where total airspace capacity has been consumed. Closure and post-closure monitoring and maintenance costs represent the costs related to cash expenditures yet to be incurred when a landfill facility ceases to accept waste and closes. Accruals for final capping, closure and post-closure monitoring and maintenance requirements in the U.S. consider site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operating and maintenance costs to be incurred during the period after the facility closes. Certain of these environmental costs, principally capping and methane gas control costs, are also incurred during the operating life of the site in accordance with the landfill operation requirements of Subtitle D and the air emissions standards. Daily maintenance activities, which include many of these costs, are expensed as incurred during the operating life of the landfill. Daily maintenance activities include leachate disposal; surface water, groundwater, and methane gas monitoring and maintenance; other pollution control activities; mowing and fertilizing the landfill final cap; fence and road maintenance; and third party inspection and reporting costs. Site specific final capping, closure and post-closure engineering cost estimates are prepared annually for landfills owned or operated under life-of-site agreements by the Company for which it is responsible for final capping, closure and post-closure.

Since the adoption of Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), 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 using an inflation rate (2.5% during 2007 and 2008) and discounting the inflated total to its present value using a discount rate (7.5% during 2007 and 2008). At December 31, 2007 and 2008, accruals for landfill final capping, closure and post-closure costs (including costs assumed through acquisitions) were $17,853 and $22,002, respectively.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

In accordance with SFAS 143, final capping, closure and post-closure liability is recorded as an addition to site costs and amortized to depletion expense on a units-of-consumption basis as remaining landfill airspace is consumed. The impact of changes determined to be changes in estimates, based on an annual update, is accounted for on a prospective basis. Depletion expense resulting from final capping, closure and post-closure obligations recorded as a component of landfill site costs will generally be less during the early portion of a landfill's operating life and increase thereafter. The final capping, closure and post-closure liabilities reflect owned landfills and landfills operated under life-of-site agreements with estimated remaining lives, based on remaining permitted capacity, probable expansion capacity and projected annual disposal volumes, that range from approximately 3 to 206 years, with an average remaining life of approximately 53 years. The costs for final capping, closure and post-closure obligations at landfills the Company owns or operates under life-of-site agreements are generally estimated based on interpretations of current requirements and proposed or anticipated regulatory changes.

The estimates for landfill final capping, closure and post-closure costs, including final capping costs, consider when the costs would actually be paid and factor in inflation and discount rates. Interest is accreted on the recorded liability using the corresponding discount rate. When using discounted cash flow techniques, reliable estimates of market premiums may not be obtainable. In the waste industry, there is no market for selling the responsibility for final capping, closure and post-closure obligations independent of selling the landfill in its entirety. Accordingly, the Company does not believe that it is possible to develop a methodology to reliably estimate a market risk premium and has therefore excluded any such market risk premium from its determination of expected cash flows for landfill asset retirement obligations. The possibility of changing legal and regulatory requirements and the forward-looking nature of these types of costs make any estimation or assumption less certain.

The following is a rollforward of the Company's final capping, closure and post-closure liability balance from December 31, 2006 to December 31, 2008:

Final capping, closure and post-closure liability at December 31, 2006	$ 11,638
Adjustments to final capping, closure and post-closure liabilities	1,310
Liabilities incurred	1,354
Accretion expense	1,155
Closure payments	(1,008)
Assumption of closure liabilities from acquisitions	3,404
Final capping, closure and post-closure liability at December 31, 2007	17,853
Adjustments to final capping, closure and post-closure liabilities	1,812
Liabilities incurred	1,598
Accretion expense	1,400
Closure payments	(1,361)
Assumption of closure liabilities from acquisitions	700
Final capping, closure and post-closure liability at December 31, 2008	$ 22,002

The Company recorded adjustments to its final capping, closure and post-closure liabilities for the year ended December 31, 2007, due to revisions in cost estimates, a decrease in the expansion airspace at a landfill for which an expansion is being pursued, and estimated increases in annual volume at an owned landfill, causing the remaining life, in years, of the landfill to decrease. The Company recorded adjustments to its final capping, closure and post-closure liabilities for the year ended December 31, 2008, due primarily to revisions in cost estimates and changes in the timing of capping events at an owned landfill, partially offset by an increase in airspace at a landfill where an expansion is being pursued. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At December 31, 2008, $20,729 of the Company's restricted assets balance was for purposes of settling future final capping, closure and post-closure liabilities.

- Disposal capacity. The Company's internal and third-party engineers perform surveys at least annually to estimate the disposal capacity at its landfills. This is done by using surveys and other methods to calculate, based on the terms of the permit, height restrictions and other factors, how much airspace is left to fill and how much waste can be disposed of at a landfill before it has reached its final capacity. The Company's landfill depletion rates are based on the remaining disposal capacity, considering both permitted and expansion airspace, at the landfills it owns, and certain landfills it operates, but does not own, under life-of-site agreements. The Company's landfill depletion rates are based on the term of the operating agreement at its operated landfills that have capitalized expenditures. Expansion airspace consists of additional disposal capacity being pursued through means of an expansion but is not actually permitted. Expansion airspace that meets certain internal criteria is included in the estimate of total landfill airspace. The Company's internal criteria to determine when expansion airspace may be included as disposal capacity is as follows:

1) The land where the expansion is being sought is contiguous to the current disposal site, and the Company either owns the expansion property or 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) Obtaining the expansion is considered probable (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).

It is possible that the Company's estimates or assumptions could ultimately be significantly different from actual results. In some cases the Company may be unsuccessful in obtaining an expansion permit or the Company may determine that an expansion permit that the Company previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, or the belief that the Company will receive an expansion permit changes adversely in a significant manner, the costs of the landfill, including the costs incurred in the pursuit of the expansion, may be subject to impairment testing, as described below, and lower profitability may be experienced due to higher amortization rates, higher capping, closure and post-closure rates, and higher expenses or asset impairments related to the removal of previously included expansion airspace.

The Company periodically evaluates its landfill sites for potential impairment indicators. The Company's judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and operational performance of its landfills. Future events could cause the Company to conclude that impairment indicators exist and that its landfill carrying costs are impaired.

Allocation of Acquisition Purchase Price

A summary of the Company's acquisition purchase price allocation policies is as follows:

- The purchase price of acquisitions is allocated 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.
- The Company accrues the payment of contingent purchase price if the events surrounding the contingency are deemed assured beyond a reasonable doubt.

Goodwill and Indefinite-Lived Intangible Assets

The Company acquired indefinite-lived intangible assets in connection with certain of its acquisitions. The amounts assigned to indefinite-lived intangible assets consist of the value of certain perpetual rights to provide solid waste collection and transportation services in specified territories. The estimated fair value of the acquired indefinite-lived intangible assets was determined by management based on the discounted net cash flows associated with the rights, agreements and contracts. Indefinite-lived intangible assets are not amortized. Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and intangible assets of the acquired entities. Goodwill and intangible assets, deemed to have indefinite lives, are subject to annual impairment tests as described below.

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, the Company estimates the fair value of each reporting unit, which it has determined to be its geographic operating segments, and compares the fair value with the carrying value of the net assets assigned to each 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 the Company 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 the Company's Consolidated Statement of Income. In testing indefinite-lived intangibles for impairment, the Company compares 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 the Company's Consolidated Statement of Income.

To determine the fair value of each of the Company's reporting units as a whole and each indefinite-lived intangible asset, the Company uses 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 the Company's 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. The Company's discount rate assumptions are based on an assessment of the Company's weighted average cost of capital. In assessing the reasonableness of the Company's determined fair values of its reporting units, the Company evaluates its results against its current market capitalization.

In addition, the Company 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.

As a result of performing the tests for potential impairment, the Company determined that no impairment existed as of December 31, 2007 or 2008, and, therefore, there were no write-downs to any of its goodwill or indefinite-lived intangible assets.

Impairments of Property, Plant and Equipment and Other Intangible Assets

Other intangible assets consist of long-term franchise agreements, contracts and non-competition agreements. Property, plant, equipment and other intangible assets are carried on the Company's consolidated financial statements based on their cost less accumulated depreciation or amortization. The recoverability of these assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Typical indicators that an asset may be impaired include:

- 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 a segment.

If any of these or other indicators occur, a test of recoverability is performed by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If the carrying values are in excess of undiscounted expected future cash flows, impairment is measured by comparing the fair value of the asset to its carrying value. Fair value is determined by an internally developed discounted projected cash flow analysis of the asset. Cash flow projections are sometimes based on a group of assets, rather than a single asset. If cash flows cannot be separately and independently identified for a single asset, the Company will determine whether an impairment has occurred for the group of assets for which the projected cash flows can be identified. If the fair value of an asset is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs. Several impairment indicators are beyond the Company's control, and whether or not they will occur cannot be predicted with any certainty. Estimating future cash flows requires significant judgment and projections may vary from cash flows eventually realized. There are other considerations for impairments of landfills, as described below.

The estimated fair value of the acquired long-term franchise agreements and contracts was determined by management based on the discounted net cash flows associated with the rights, agreements and contracts. The estimated fair value of the non-competition agreements reflects management's estimates based on the amount of revenue protected under such agreements. The amounts assigned to the franchise agreements, contracts, and non-competition agreements are being amortized on a straight-line basis over the expected term of the related agreements (ranging from 1 to 56 years).

Landfills – There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion projects. For example, a regulator may initially deny a landfill expansion permit application though the expansion permit is ultimately granted. In addition, management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

Restricted Assets

Restricted assets held by trustees consist principally of funds deposited in connection with landfill final capping, closure and post-closure obligations and other financial assurance requirements. Proceeds from these financing arrangements are directly deposited into trust funds, and the Company does not have the ability to utilize the funds in regular operating activities. See Note 9 for further information on restricted assets.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, trade receivables, restricted assets, trade payables, debt instruments, interest rate swaps and commodity swaps. As of December 31, 2007 and 2008, the carrying values of cash, trade receivables, restricted assets, and trade payables are considered to be representative of their respective fair values. The carrying values of the Company's debt instruments, excluding the 3.75% Convertible Senior Notes due 2026 (the "2026 Notes") and the 6.22% Senior Notes due 2015 (the "2015 Notes"), approximate their fair values as of December 31, 2007 and 2008, based on current borrowing rates for similar types of borrowing arrangements. The Company's 2026 Notes had a carrying value of $200,000 and a fair value of approximately $222,974 and $217,200 at December 31, 2007 and 2008, respectively, based on the publicly quoted trading price of these notes. The Company's 2015 Notes had a carrying value of $175,000 and a fair value of approximately $160,213 at December 31, 2008, based on quotes of bonds with similar ratings in similar industries. For details on the fair value of the Company's interest rate and fuel commodity swaps, refer to Note 9.

Derivative Financial Instruments

The Company recognizes all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company classifies cash inflows and outflows from derivatives within net income on the statement of cash flows.

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings issued under its credit facility and other variable rate debt. The Company's strategy to achieve that objective involves entering into interest rate swaps that are specifically designated to certain variable rate instruments and accounted for as cash flow hedges.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

At December 31, 2008, the Company's derivative instruments included nine interest rate swap agreements as follows:

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
September 2005	$ 175,000	4.33%	1-month LIBOR	February 2007	February 2009
September 2005	$ 75,000	4.34%	1-month LIBOR	March 2007	March 2009
December 2005	$ 150,000	4.76%	1-month LIBOR	June 2006	June 2009
November 2007	$ 50,000	4.37%	1-month LIBOR	February 2009	February 2011
November 2007	$ 50,000	4.37%	1-month LIBOR	February 2009	February 2011
November 2007	$ 75,000	4.37%	1-month LIBOR	February 2009	February 2011
November 2007	$ 75,000	4.40%	1-month LIBOR	March 2009	March 2011
November 2007	$ 50,000	4.29%	1-month LIBOR	June 2009	June 2011
November 2007	$ 100,000	4.35%	1-month LIBOR	June 2009	June 2011

* plus applicable margin.

Another of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the price of diesel fuel. The Company's strategy to achieve that objective involves entering into commodity swaps that are specifically designated to certain forecasted diesel fuel purchases and accounted for as cash flow hedges ("fuel hedges"). See Note 12 for further discussion on the Company's hedge accounting.

At December 31, 2008, the Company's derivative instruments included nine fuel hedge agreements as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed	Diesel Rate Received Variable	Effective Date	Expiration Date
October 2008	250,000	$3.750	DOE Diesel Fuel Index*	January 2009	December 2010
October 2008	100,000	3.745	DOE Diesel Fuel Index*	January 2009	December 2010
October 2008	250,000	3.500	DOE Diesel Fuel Index*	January 2009	December 2010
December 2008	100,000	3.000	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	150,000	3.000	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	150,000	2.820	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	150,000	2.700	DOE Diesel Fuel Index*	January 2010	December 2010
December 2008	400,000	2.950	DOE Diesel Fuel Index*	January 2011	December 2011
December 2008	400,000	3.030	DOE Diesel Fuel Index*	January 2012	December 2012

* If the national U.S. on-highway average price for a gallon of diesel fuel ("average price"), as published by the Department of Energy, exceeds the contract price per gallon, the Company receives the difference between the average price and the contract price (multiplied by the notional gallons) from the counterparty. If the national U.S. on-highway average price for a gallon of diesel fuel is less than the contract price per gallon, the Company pays the difference to the counterparty.

Income Taxes

The Company uses the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the 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. The Company assumes the deductibility of certain costs in its income tax filings and estimates the future recovery of deferred tax assets.

The Company adopted FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* ("FIN 48"), at the beginning of fiscal year 2007. FIN 48 requires the Company to evaluate whether the tax position taken by the Company will more likely than not be sustained upon examination by the appropriate taxing authority. It also provides guidance on how the Company should measure the amount of benefit that the Company is to recognize in its financial statements.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Under FIN 48, the Company also classifies a liability for unrecognized tax benefits as current only to the extent the Company anticipates making a payment within one year.

For fiscal years before 2007, the Company accrued income tax reserves for contingencies based upon management's assessment of exposure associated with, for instance, permanent differences, tax credits and interest expense. The tax reserves were analyzed quarterly and adjustments were made as events occurred to warrant adjustments to the reserve. For example, if the statutory period for assessing tax on a given tax return or period lapsed, the reserve associated with that period was reversed.

Stock-Based Compensation

Effective the beginning of the first quarter of 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123(R)") for its share-based compensation plans. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107, *Share-Based Payment* ("SAB 107"), relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

The weighted average grant date fair value per share for options granted during 2006 was $7.72. The Company did not grant stock options during the years ended December 31, 2007 or 2008.

The Company's calculations of the fair value of stock options granted during the year ended December 31, 2006, was made using the Black-Scholes option-pricing model. The fair value of the Company's stock option grants was estimated assuming no expected dividend yield and the following weighted average assumptions for the year ended December 31, 2006:

Expected life	4 years
Risk-free interest rate	4.8%
Expected volatility	20%

Expected life is calculated based on the weighted average historical life of stock options. Risk-free interest rate is based on the U.S. treasury yield curve for the period of the expected life of the stock option. Expected volatility is calculated using the daily historical volatility over the last three years.

The fair value of restricted stock and restricted stock units for the years ended December 31, 2006, 2007 and 2008, were determined based on the number of shares granted and the quoted price of the Company's common stock.

All share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized on a straight-line basis as expense over the employee's requisite service period. The Company calculates potential windfalls and shortfalls under the treasury stock method by including the impact of pro forma deferred tax assets in the calculation of diluted earnings per common share. The Company also adopted FASB Staff Position No. FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards* ("FSP 123(R)-3"). Under FSP 123(R)-3, the Company elected to use the short-cut method to calculate the historical pool of windfall tax benefits. The Company elected to use the tax law ordering approach for purposes of determining whether an excess of tax benefit has been realized.

Stock-based compensation expense recognized during the years ended December 31, 2006, 2007 and 2008, were approximately $3,451 ($2,200 net of taxes), $6,128 ($3,825 net of taxes) and $7,854 ($4,937 net of taxes), respectively, and consisted of stock option, restricted stock unit and restricted stock expense. The Company records stock-based compensation expense in "selling, general and administrative" expenses in the Consolidated Statements of Income. The incremental stock-based compensation expense recognized as a result of adopting SFAS 123(R) was $583 ($421 net of taxes), $665 ($476 net of taxes) and $665 ($480 net of taxes), or approximately a $0.01 per share decrease to basic and diluted earnings per common share for the years ended December 31, 2006, 2007 and 2008, respectively, which represented the expense related to stock options less the impact of recognizing a forfeiture rate assumption related to restricted stock and restricted stock units. A contra-equity balance of $2,234 in "Deferred stock compensation" on the Consolidated Balance Sheet was reversed as a change in accounting policy upon the adoption of SFAS 123(R) to "Additional paid-in capital" as of January 1, 2006. The total unrecognized compensation cost at December 31, 2008, related to unvested stock option, restricted stock unit and restricted stock awards was $19,257 and that future expense will be recognized over the remaining vesting period of the stock option, restricted stock unit and restricted stock awards which currently extends to 2013. The weighted average remaining vesting period of those awards is 1.4 years.

Per Share Information

Basic net income per share is computed using the weighted average number of common shares outstanding. Diluted net income per share is computed using the weighted average number of common and potential common shares outstanding. Potential common shares are excluded from the computation if their effect is anti-dilutive.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2006, 2007 and 2008, was $2,147, $2,252 and $2,596, respectively, which is included in selling, general and administrative expense in the Consolidated Statements of Income.

Insurance Liabilities

The Company is effectively self-insured for automobile liability, property, general liability, workers' compensation, employer's liability and employee group health claims. The Company's insurance accruals are based on claims filed and estimates of claims incurred but not reported and are developed by the Company's management with assistance from its third-party actuary and its third-party claims administrator. The insurance accruals are influenced by the Company's past claims experience factors, which have a limited history, and by published industry development factors. At December 31, 2007 and 2008, the Company's total accrual for self-insured liabilities was $34,662 and $33,841, respectively, which is included in accrued liabilities in the Consolidated Balance Sheets.

Segment Information

The Company identifies its operating segments based on management responsibility and geographic location. The Company considers each of its three operating regions that report stand-alone financial information and have segment managers that report to the Company's chief operating decision maker to be an operating segment. The Company has assessed and determined that it has met all of the aggregation criteria required under SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information* ("SFAS No. 131"), to aggregate its multiple operating segments into one reportable segment. Therefore, all three operating regions have been aggregated together and are reported as a single segment consisting of the collection, transfer, recycling and disposal of non-hazardous solid waste primarily in the Western and Southern United States.

Reclassifications

Certain amounts reported in the Company's prior year's financial statements have been reclassified to conform with the 2008 presentation.

New Accounting Pronouncements

SFAS 141(R). In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"). SFAS 141(R) will have a material impact on the Company as it establishes principles and requirements for how the Company: (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. SFAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

SFAS 157. In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. SFAS 157 applies under other existing accounting pronouncements that require or permit fair value measurements, as the FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute.

Accordingly, SFAS 157 does not require any new fair value measurements. Effective January 1, 2008, the Company adopted SFAS 157 as it relates to financial assets and liabilities. The new disclosures required by SFAS 157 are included in Note 9.

FSP 157-2. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"), which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities. Therefore, the Company has delayed application of SFAS 157 to its nonfinancial assets and nonfinancial liabilities, which include assets and liabilities acquired in connection with a business combination, goodwill, intangible assets and asset retirement obligations recognized in connection with final capping, closure and post-closure landfill obligations, until January 1, 2009. The Company is currently evaluating the impact of SFAS 157 for nonfinancial assets and liabilities on the Company's financial position and results of operations.

SFAS 159. In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 permits all entities to choose, at specified election dates, to measure eligible items at fair value (the "fair value option"). A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected are recognized in earnings as incurred and not deferred. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company did not adopt the fair value option permitted under this statement.

SFAS 160. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51* ("SFAS 160"), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. SFAS 160 also provides guidance when a subsidiary is deconsolidated and requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Therefore, beginning January 1, 2009, the Company will retroactively reflect the line item, "Minority Interests," as a separate line item in the stockholders' equity section of the Company's balance sheet instead of the current presentation as mezzanine equity. Additionally, the line item, "Minority Interests," in the statement of income will no longer be shown as an expense item for all periods presented, resulting in an increase to consolidated net income. The Company will retroactively present on the face of the statement of income the amounts of consolidated net income attributable to the Company and to the noncontrolling interests (the portion formally shown as "Minority Interests" expense in the statements of income). The Company does not expect the adoption of SFAS 160 to have a material impact on the Company's prospective financial position or results of operations.

SFAS 161. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133* ("SFAS 161"), which amends and expands the disclosure requirements of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), with the intent to provide users of financial statements with an enhanced understanding of: (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative instruments. This statement applies to all entities and all derivative instruments. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

FSP No. APB 14-1. In May 2008, the FASB issued FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* ("FSP No. APB 14-1"). FSP No. APB 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under SFAS 133. FSP No. APB 14-1 specifies that issuers of convertible debt instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP No. APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. FSP No. APB 14-1 will be applied retrospectively to all periods presented. The cumulative effect of the change in accounting principle on periods prior to those presented will be recognized as of the beginning of the first period presented. An offsetting adjustment will be made to the opening balance of retained earnings for that period, presented separately.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The adoption of FSP No. APB 14-1 will not affect the Company's cash flows; however, it will impact the Company's results of operations by increasing interest expense associated with the Company's 3.75% Convertible Senior Notes due 2026 ("2026 Notes") by adding a non-cash component to amortize a debt discount calculated based on the difference between the cash coupon of the convertible debt instrument and the estimated non-convertible debt borrowing rate. The 2026 Notes were issued in March 2006 and bear interest at a rate of 3.75% per annum. At the date of issuance, the Company's borrowing rate for similar debt instruments with no conversion rights was estimated at 6.5% per annum. The adoption of FSP No. APB 14-1 will require the Company to record a debt discount, which will be amortized to interest expense through April 1, 2011, representing the first date on which holders of the 2026 Notes may require the Company to repurchase all or a portion of their notes. Upon the adoption of FSP No. APB 14-1, the annual decrease to net income as a result of amortizing the non-cash debt discount, net of the expected income tax benefit, will be as follows:

Year ended December 31, 2006	$ 1,800
Year ended December 31, 2007	$ 2,500
Year ended December 31, 2008	$ 2,600
Year ended December 31, 2009	$ 2,800
Year ended December 31, 2010	$ 3,000
Year ended December 31, 2011	$ 800

Upon conversion of a convertible debt instrument, the Company must allocate the fair value of the consideration transferred and any transaction costs incurred between the equity and liability components. This is done by first allocating to the liability component an amount equal to the fair value of the liability component immediately prior to its conversion, with the residual consideration allocated to the equity component. Any gain or loss equal to the difference between the consideration allocated to the liability component and the carrying value of the liability component, including any unamortized debt discount or issuance costs, is recorded in earnings.

FSP No. FAS 142-3. In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP FAS 142-3"), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other U.S. generally accepted accounting principles. FSP FAS 142-3 requires an entity to disclose information for a recognized intangible asset that enables users of the financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of FSP FAS 142-3 to have a material impact on the Company's financial position or results of operations.

2. USE OF ESTIMATES AND ASSUMPTIONS

In preparing the Company's consolidated financial statements, 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 of the information that is used in the preparation of the Company's consolidated financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is simply not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. The most difficult, subjective and complex estimates and the assumptions that deal with the greatest amount of uncertainty are related to the Company's accounting for landfills, self-insurance, income taxes, allocation of acquisition purchase price and asset impairments, which are discussed in Note 1. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with SFAS No. 5, *Accounting for Contingencies*. Actual results for all estimates could differ materially from the estimates and assumptions that the Company uses in the preparation of its consolidated financial statements.

3. ACQUISITIONS

The Company's growth strategy includes the acquisition of solid waste businesses located in markets with significant growth opportunities. Acquisitions are accounted for under the purchase method of accounting. The results of operations of the acquired businesses have been included in the Company's consolidated financial statements from their respective acquisition dates.

During 2006, the Company acquired 14 non-hazardous solid waste collection, transfer and recycling businesses. During each of 2007 and 2008, the Company acquired 15 non-hazardous solid waste collection, transfer, disposal and recycling businesses. In addition, during 2008, the Company acquired the remaining 49% interest in Pierce County Recycling, Composting and Disposal, LLC and Pierce County Landfill Management, Inc. ("PCRCD"). Prior to the acquisition, the Company was consolidating PCRCD as a majority-owned subsidiary with a related minority interest obligation and minority interest expense.

The purchase prices have been allocated to the 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. The purchase price allocations are considered preliminary until the Company is no longer waiting for information that it has arranged to obtain and that is known to be available or obtainable. Although the time required to obtain the necessary information will vary with circumstances specific to an individual acquisition, the "allocation period" for finalizing purchase price allocations does not exceed one year from the consummation of a business combination.

As of December 31, 2008, the Company had eight acquisitions for which purchase price allocations were preliminary, mainly as a result of pending working capital valuations. The Company believes the potential changes to its preliminary purchase price allocations will not have a material impact on its financial condition, results of operations or cash flows.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of the purchase price allocations for acquisitions consummated in 2006 and 2007 and preliminary purchase price allocations for the acquisitions consummated in 2008 are as follows:

	2006 Acquisitions	2007 Acquisitions	2008 Acquisitions
Acquired Assets:			
Accounts receivable	$ 902	$ 6,099	$ 13,781
Prepaid expenses and other current assets	332	724	1,527
Property and equipment	12,580	82,749	98,448
Goodwill	27,571	60,653	26,024
Long-term franchise agreements and contracts	1,859	3,667	117,416
Indefinite-lived intangibles	-	-	92,312
Other intangibles	964	3,592	9,044
Non-competition agreements	120	4,941	48
Other assets	591	-	514
Assumed Liabilities:			
Deferred revenue	(879)	(4,043)	(2,449)
Accounts payable	(214)	(2,283)	(6,692)
Accrued liabilities	(1,558)	(4,812)	(3,526)
Notes issued to sellers	-	-	(1,788)
Debt and long-term liabilities assumed	(3,266)	(35,442)	(22,688)
Deferred income taxes	(549)	(8,073)	(651)
Closure liabilities	-	-	(700)
Net assets acquired	38,453	107,772	320,620
Acquisition-related liabilities	1,149	1,780	1,049
Common stock warrants	(115)	(123)	(79)
Net assets exchanged for new operations	(893)	-	-
Elimination of minority interest	-	-	33,560
Payments for acquisitions, net of cash acquired	$ 38,594	$ 109,429	$ 355,150

Acquisition-related liabilities are liabilities paid in the year shown above that were accrued for in a previous year. Net assets exchanged for new operations are the assets given up in exchange for the acquisition of assets of a new operation. Elimination of minority interest consists of the minority interest liability in PCRCD that was eliminated as a result of the Company's acquisition of the remaining 49% interest in PCRCD. The acquisitions completed in the years ended December 31, 2006, 2007 and 2008, were not material to the Company's results of operations, either individually or in the aggregate. As a result, pro forma financial information has not been provided.

Goodwill acquired in 2007 totaling $58,886 and long-term franchise agreements, contracts, and other intangibles acquired in 2007 totaling $11,269 are expected to be deductible for tax purposes. Goodwill acquired in 2008 totaling $22,586 and long-term franchise agreements, contracts, and other intangibles acquired in 2008 totaling $217,933 are expected to be deductible for tax purposes.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

4. INTANGIBLE ASSETS

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2008:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 179,674	$ (12,751)	$ 166,923
Non-competition agreements	9,751	(5,157)	4,594
Other	26,107	(7,340)	18,767
	215,532	(25,248)	190,284
Nonamortized intangible assets:			
Indefinite-lived intangible assets	116,160	-	116,160
Intangible assets, exclusive of goodwill	$ 331,692	$ (25,248)	$ 306,444

The weighted-average amortization periods of long-term franchise agreements and contracts, non-competition agreements and other intangibles acquired during the year ended December 31, 2008, are 30.9 years, 6.9 years and 9.6 years, respectively.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2007:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 62,258	$ (9,470)	$ 52,788
Non-competition agreements	9,703	(4,404)	5,299
Other	17,063	(5,041)	12,022
	89,024	(18,915)	70,109
Nonamortized intangible assets:			
Indefinite-lived intangible assets	23,848	-	23,848
Intangible assets, exclusive of goodwill	$ 112,872	$ (18,915)	$ 93,957

The weighted-average amortization periods of long-term franchise agreements and contracts, non-competition agreements and other intangibles acquired during the year ended December 31, 2007, are 22.4 years, 12.4 years and 8.4 years, respectively.

The amounts assigned to indefinite-lived intangible assets consist of the value of certain perpetual rights to provide solid waste collection and transportation services in specified territories. These indefinite-lived intangible assets were subject to amortization prior to the Company's adoption of SFAS No. 142.

Estimated future amortization expense for the next five years of amortizable intangible assets is as follows:

For the year ended December 31, 2009	$ 9,850
For the year ended December 31, 2010	$ 9,710
For the year ended December 31, 2011	$ 9,604
For the year ended December 31, 2012	$ 9,468
For the year ended December 31, 2013	$ 8,029

Total amortization expense for intangible assets was $4,080, $4,341 and $6,334 for the years ended December 31, 2006, 2007 and 2008, respectively.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Year Ended December 31, 2007	Year Ended December 31, 2008
Landfill site costs	$ 608,750	$ 655,773
Rolling stock	274,719	343,692
Land, buildings and improvements	115,461	155,712
Containers	131,412	155,646
Machinery and equipment	122,107	138,094
Construction in progress	4,122	8,594
	1,256,571	1,457,511
Less accumulated depreciation and depletion	(391,241)	(473,387)
	$ 865,330	$ 984,124

The Company's landfill depletion expense for the years ended December 31, 2006, 2007 and 2008, was $18,854, $22,282 and $23,422, respectively.

6. OTHER ASSETS, NET

Other assets, net, consist of the following:

	Year Ended December 31, 2007	Year Ended December 31, 2008
Deferred financing costs	$ 7,972	$ 7,128
Investment in unconsolidated entity	5,300	5,300
Landfill closure receivable	3,397	4,358
Deposits	917	916
Other	3,871	3,220
	$ 21,457	$ 20,922

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	Year Ended December 31, 2007	Year Ended December 31, 2008
Insurance claims	$ 34,662	$ 33,841
Payroll and payroll-related	18,872	20,198
Interest payable	2,674	6,934
Acquisition-related	4,852	4,227
Unrealized interest rate and fuel commodity swap losses	43	21,120
Other	8,475	8,900
	$ 69,578	$ 95,220

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

8. LONG-TERM DEBT

Long-term debt consists of the following:

	Year Ended December 31, 2007	2008
Revolver under Credit Facility	$ 479,000	$ 400,000
2026 Convertible Senior Notes	200,000	200,000
2015 Senior Notes	-	175,000
Tax-Exempt Bonds	44,510	53,960
Notes payable to sellers in connection with acquisitions, uncollateralized, bearing interest at 5.5% to 10.35%, principal and interest payments due periodically with due dates ranging from 2009 to 2036	3,994	4,888
Notes payable to third parties, collateralized by substantially all assets of certain subsidiaries of the Company, bearing interest at 9.0% to 10.9%, principal and interest payments due periodically with due dates ranging from 2009 to 2019	5,329	1,608
	732,833	835,456
Less – current portion	(13,315)	(4,698)
	$ 719,518	$ 830,758

Credit Facility

The Company has a senior revolving credit facility with a syndicate of banks for which Bank of America, N.A. acts as agent. The maximum borrowings available under the Company's credit facility were $800,000 and $845,000 as of December 31, 2007 and 2008, respectively. When the Company increased the maximum borrowings available under the Company's credit facility to $845,000 in June 2008, no changes were made to the terms, pricing, conditions or covenants of 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. As of December 31, 2007, $479,000 was outstanding under the credit facility, exclusive of outstanding standby letters of credit of $68,260. As of December 31, 2008, $400,000 was outstanding under the credit facility, exclusive of outstanding standby letters of credit of $81,401. The credit facility matures in September 2012.

The borrowings under the credit facility bear interest, at the Company's option, at either the base rate plus the applicable base rate margin (approximately 7.25% and 3.25% at December 31, 2007 and 2008, respectively) on base rate loans, or the Eurodollar rate plus the applicable Eurodollar margin (approximately 5.8% and 2.5% at December 31, 2007 and 2008, respectively) on Eurodollar loans. The applicable margins under the credit facility vary depending on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2007 and 2008, these margins ranged from 0.625% to 1.125% for Eurodollar loans and 0.00% for base rate loans.

The credit facility requires the Company to pay an annual commitment fee on the unused portion of the facility. The commitment fee ranged from 0.15% to 0.20% as of December 31, 2007 and 2008.

The borrowings under the credit facility are not collateralized. The credit facility contains representations and warranties and places certain business, financial and operating restrictions on the Company 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 agreement requires that the Company maintain specified financial ratios. As of December 31, 2007 and 2008, the Company was in compliance with all applicable covenants in the credit facility.

Floating Rate Convertible Subordinated Notes due 2022

In 2002, the Company issued Floating Rate Convertible Subordinated Notes due 2022 (the "2022 Notes") with an aggregate principal amount of $175,000 in an offering pursuant to Rule 144A of the Securities Act of 1933, as amended. The 2022 Notes were uncollateralized and ranked junior to all existing and future senior indebtedness, as defined in the indenture governing the

2022 Notes. The 2022 Notes required (subject to certain exceptions) payment of the principal value in cash and net share settle of the conversion value in excess of the principal value of the notes upon conversion and contained dividend protection provisions.

In April 2006, the Company called for redemption the $175,000 aggregate principal amount of its 2022 Notes, which redemption occurred on May 8 and June 5, 2006. Holders of the 2022 Notes had the right to convert their notes at any time prior to the end of the day that was two business days preceding the applicable redemption date. The Company paid approximately $175,000 in cash and issued 1,441,763 shares of its common stock in connection with the conversion and redemption. The Company funded the conversion and redemption with borrowings under its senior revolving credit facility. Additionally, the Company recorded a non-cash, pre-tax charge of $4,185 ($2,637 net of taxes) in other income (expense) for the write-off of unamortized debt issuance costs associated with the full $175,000 aggregate principal amount of the notes called for redemption.

Convertible Senior Notes due 2026

On March 20, 2006, the Company completed its offering of $200,000 aggregate principal amount of its 3.75% Convertible Senior Notes due 2026 in an offering pursuant to Rule 144A of the Securities Act of 1933, as amended. The terms and conditions of the 2026 Notes are set forth in the Indenture, dated as of March 20, 2006, between the Company and U.S. Bank National Association, as trustee. The 2026 Notes rank equally in right of payment to all of the Company's other existing and future senior uncollateralized and unsubordinated indebtedness. The 2026 Notes rank senior in right of payment to all of the Company's existing and future subordinated indebtedness and are subordinated in right of payment to the Company's collateralized obligations to the extent of the assets collateralizing such obligations. The 2026 Notes bear interest at 3.75% per annum payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2006, until the maturity date of April 1, 2026. The Company's obligations under the 2026 Notes are not guaranteed by any third party.

The 2026 Notes are convertible into cash and, if applicable, shares of common stock based on an initial conversion rate of 29.4118 shares of common stock per $1 principal amount of 2026 Notes (which is equal to an initial conversion price of approximately $34.00 per share), subject to adjustment, and only under certain circumstances. Upon a surrender of the 2026 notes for conversion, the Company will deliver cash equal to the lesser of the aggregate principal amount of notes to be converted and its total conversion obligation. The Company will deliver shares of its common stock in respect of the remainder, if any, of its conversion obligation. The holders of the 2026 Notes who convert their notes in connection with a change in control (as defined in the Indenture) may be entitled to a make-whole premium in the form of an increase in the conversion rate.

Holders may surrender notes for conversion into cash and, if applicable, shares of the Company's common stock at an initial conversion price of $34.00 per share (equivalent to an initial conversion rate of 29.4118 shares per $1 principal amount of notes) at any time prior to the close of business on the maturity date, if the closing sale price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the quarter preceding the quarter in which the conversion occurs, is more than 130% of the conversion price per share of the Company's common stock on that 30th day. Based on the Company's share price through December 31, 2008, the 2026 Notes have not met the requirements for conversion by the holders.

Beginning on April 1, 2010, the Company may redeem in cash all or part of the 2026 Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any, and, if redeemed prior to April 1, 2011, an interest make-whole payment. The holders of the 2026 Notes can require the Company to repurchase all or a part of the 2026 Notes in cash on each of April 1, 2011, 2016 and 2021, and in the event of a change of control of the Company, at a purchase price of 100% of the principal amount of the 2026 Notes plus any accrued and unpaid interest, including additional interest, if any. The Company is amortizing the $5,534 debt issuance costs over a five-year term through the first put date, or April 1, 2011.

Senior Notes due 2015

On July 15, 2008, the Company entered into a Master Note Purchase Agreement with certain accredited institutional investors pursuant to which the Company issued and sold to the investors at a closing on October 1, 2008, $175,000 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.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The 2015 Notes are uncollateralized obligations and rank equally with obligations under the Company's senior uncollateralized revolving credit facility. The 2015 Notes are subject to representations, warranties, covenants and events of default customary for a private placement of senior uncollateralized notes. 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 at any time in whole or from time to time in any part (not less than 5% of the then-outstanding principal amount) by the Company 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, the Company will be required to offer to prepay the 2015 Notes upon certain changes in control. The Company is amortizing the $1,026 debt issuance costs over a seven-year term through the maturity date, or October 1, 2015.

The Company may issue additional series of senior uncollateralized notes pursuant to the terms and conditions of the Master Note Purchase 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 Purchase Agreement and the aggregate principal amount of the 2015 Notes and any additional notes issued pursuant to the Master Note Purchase Agreement shall not exceed $500,000.

Tax-Exempt Bonds

The Company's tax-exempt bond financings are as follows:

Name of Bond	Type of Interest Rate	Interest Rate on Bond at December 31, 2008	Maturity Date of Bond	Outstanding Balance at December 31, 2007	Outstanding Balance at December 31, 2008	Back by Letter of Credit (Amount)
Wasco Bond 2012	Fixed	7.00%	March 1, 2012	$ 2,810	$ 2,325	$ -
Wasco Bond 2021	Fixed	7.25	March 1, 2021	8,475	8,475	-
Madera Bond	Variable	0.97	May 1, 2016	1,800	1,800	1,829
Cold Canyon Bond	Variable	0.97	July 2008	5,845	-	-
Tehama Bond	Variable	0.97	June 1, 2014	640	580	598
San Jose Bonds	Variable	0.97	September 1, 2016	9,440	7,020	7,288
West Valley Bond	Variable	1.25	August 1, 2018	15,500	15,500	15,678
LeMay Washington Bond	Variable	1.03	April 1, 2033	-	15,930	16,133
LeMay Olympia Bond	Variable	1.03	April 1, 2019	-	2,330	2,379
				$ 44,510	$ 53,960	$ 43,905

The variable-rate bonds are all remarketed weekly by a remarketing agent to effectively maintain a variable yield. If the remarketing agent is unable to remarket the bonds, then the remarketing agent can put the bonds to the Company. The Company has obtained standby letters of credit, issued under its senior revolving credit facility, to guarantee repayment of the bonds in this event. The Company classified these borrowings as long-term at December 31, 2008, because the borrowings are supported by standby letters of credit issued under the Company's senior revolving credit facility which is long-term.

As of December 31, 2008, aggregate contractual future principal payments by calendar year on long-term debt are due as follows:

2009	$ 4,698
2010	1,937
2011	202,041
2012	402,165
2013	1,463
Thereafter	223,152
	$ 835,456

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

As discussed in Note 1, effective January 1, 2008, the Company adopted SFAS 157 as it relates to financial assets and liabilities that are being measured and reported at fair value on a recurring basis. Although the adoption of SFAS 157 did not materially impact its financial condition, results of operations, or cash flows, the Company is now required to provide additional disclosures as part of its financial statements. In accordance with FSP 157-2, the Company deferred adoption of SFAS 157 as it relates to nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements. This statement is intended to enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in a three-tier fair value hierarchy. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments and certain investments included in cash equivalent money market funds and restricted assets. The Company's derivative instruments are pay-fixed, receive-variable interest rate swaps and pay-fixed, receive-variable diesel fuel commodity swaps. The Company's interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. The Company uses a discounted cash flow ("DCF") model to determine the estimated fair values of the diesel fuel commodity swaps. The assumptions used in preparing the DCF model include: (i) estimates for the forward DOE index curve and (ii) the discount rate based on risk-free interest rates over the term of the agreements. The DOE index curve used in the DCF model was obtained from financial institutions that trade these contracts. For the Company's interest rate and fuel commodity swaps, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position. The Company's cash equivalent money market funds and restricted assets are valued at quoted market prices in active markets for identical assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted assets measured at fair value are invested primarily in U.S. government and agency securities.

The Company's assets and liabilities measured at fair value on a recurring basis subject to the disclosure requirements of SFAS 157 at December 31, 2008, were as follows:

		Fair Value Measurement at Reporting Date Using		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Interest rate swap derivative instruments – liability position	$ (27,796)	$ -	$ (27,796)	$ -
Fuel hedge derivative instruments – liability position	$ (10,813)	$ -	$ -	$ (10,813)
Cash equivalent money market funds	$ 256,060	$ 256,060	$ -	$ -
Restricted assets	$ 21,429	$ 21,429	$ -	$ -

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table summarizes the change in the fair value for Level 3 inputs for the twelve months ended December 31, 2008:

	Level 3 Inputs
Balance as of December 31, 2007	$ -
Realized losses included in earnings	-
Unrealized losses included in Accumulated Other Comprehensive Loss	(10,813)
Purchases, sales, issuances and settlements	-
Transfers in and out of Level 3	-
Balance as of December 31, 2008	$ (10,813)

10. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Leases

The Company leases its facilities and certain equipment under non-cancelable operating leases for periods ranging from one to 20 years, with renewal options for certain leases. The Company's total rent expense under operating leases during the years ended December 31, 2006, 2007 and 2008, was $8,137, $8,790 and $9,008, respectively.

As of December 31, 2008, future minimum lease payments, by calendar year, are as follows:

2009	$ 8,350
2010	8,020
2011	7,112
2012	6,829
2013	5,803
Thereafter	35,055
	$ 71,169

Financial Surety Bonds

The Company uses financial surety bonds for a variety of corporate guarantees. The two largest uses of financial surety bonds are for municipal contract performance guarantees and landfill final capping, closure and post-closure financial assurance required under certain environmental regulations. Environmental regulations require demonstrated financial assurance to meet final capping, closure and post-closure requirements for landfills. In addition to surety bonds, these requirements may also be met through alternative financial assurance instruments, including insurance, letters of credit and restricted asset deposits.

At December 31, 2007 and 2008, the Company had provided customers and various regulatory authorities with surety bonds in the aggregate amount of approximately $112,512 and $113,273, respectively, to secure its landfill final capping, closure and post-closure requirements and $51,813 and $48,502, respectively, to secure performance under collection contracts and landfill operating agreements.

The Company owns 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 industry. The Company accounts for this investment under the cost method of accounting. There have been no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. This investee company and the parent company of the investee had written final capping, landfill closure and post-closure financial surety bonds for the Company, of which $86,806 and $85,802 were outstanding as of December 31, 2007 and 2008, respectively. The Company's reimbursement obligations under these bonds are secured by a pledge of its stock in the investee company.

Unconditional Purchase Obligations

At December 31, 2008, the Company's unconditional purchase obligations consist of multiple fixed-price fuel purchase contracts under which it has 10.5 million gallons remaining to be purchased for a total of $27,543, plus taxes and transportation upon delivery. These fuel purchase contracts expire on or before December 31, 2009.

Put Option

The minority interests holders of one of the Company's majority-owned subsidiaries, Pierce County Recycling, Composting and Disposal, LLC, or PCRCD, had an exercisable put option to require the Company to complete the acquisition of PCRCD by purchasing their minority ownership interests for fair market value. The put option calculated the fair market value of PCRCD based on its current operating income before depreciation and amortization, as defined in the put option agreement. On August 1, 2008, Waste Connections of Washington, Inc., or WCWI, a wholly-owned subsidiary of the Company, entered into an Equity Purchase Agreement with the minority interests holders of PCRCD, Land Recovery, Inc. and Resource Investments, Inc., and their shareholders. Pursuant to the Equity Purchase Agreement, WCWI agreed to purchase from the minority interests holders all of their membership interests of PCRCD and all of their shares of capital stock of Pierce County Landfill Management, Inc., PCRCD's Manager, for a purchase price of $103,665. The transaction closed on November 3, 2008. PCRCD and Pierce County Landfill Management, Inc., which were previously majority-owned subsidiaries of the Company, are now wholly-owned subsidiaries of the Company. Upon the closing of the PCRCD transaction, the put option terminated and is of no further force or effect. After the closing of the transaction, Pierce County Landfill Management, Inc. was merged into PCRCD.

CONTINGENCIES

Environmental Risks

The Company is subject to liability for any environmental damage that its solid waste facilities may cause to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water, and especially drinking water, including damage resulting from conditions existing prior to the acquisition of such facilities by the Company. The Company may also be subject to liability for any off-site environmental contamination caused by pollutants or hazardous substances whose transportation, treatment or disposal was arranged by the Company or its predecessors. Any substantial liability for environmental damage incurred by the Company could have a material adverse effect on the Company's financial condition, results of operations or cash flows. As of December 31, 2008, the Company is not aware of any material environmental liabilities.

Legal Proceedings

The Company's 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 the Company time to explore a possible relocation of the landfill. At December 31, 2008, the Company had $9,917 of capitalized expenditures related to this landfill development project. If the Company is not ultimately issued a permit to operate the landfill, the Company will be required to expense in a future period the $9,917 of capitalized expenditures, less the recoverable value of the undeveloped property and other amounts recovered, which would likely have a material adverse effect on the Company's results of operations for that period.

The Company 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 the Company 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. The Company 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 the Company 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 the Company believes that it 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 the Company's 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 the Company's reported income in the future. The Company 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 the Company's directors and officers as defendants, and naming the Company 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 the Company's current and former directors and officers, and names the Company as a nominal defendant. On June 22, 2007, the Company and the individual defendants filed motions to dismiss the consolidated action. On March 19, 2008, the Court granted the Company's 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, the Company was served with another purported shareholder derivative complaint, naming certain of the Company's current and former directors and officers as defendants, and naming the Company 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, the Company agreed to reaffirm and/or implement certain corporate governance measures and the Company's insurance carrier agreed to pay not more than $3,000 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, the Company completed a review of its historical stock option granting practices, including all option grants since its initial public offering in May 1998, and reported the results of the review to the Audit Committee of its 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 the Company's current and historical financial statements, and the Audit Committee concluded that no further action was necessary. As with any litigation proceeding, the Company cannot predict with certainty the eventual outcome of the pending federal and state derivative litigation, nor can the Company 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 the Company and its 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. The Company intends to vigorously defend this matter. As with any litigation proceeding, the Company cannot predict with certainty the eventual outcome of this matter, nor can the Company estimate the amount of any losses that might result.

In the normal course of its business and as a result of the extensive governmental regulation of the solid waste industry, the Company is 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 the Company or to revoke or deny renewal of an operating permit held by the Company. From time to time, the Company 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 the Company operates.

In addition, the Company is 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 the Company that the Company believes will have a material adverse impact on its business, financial condition, results of operations or cash flows.

Employees

At December 31, 2008, the Company employed 5,379 full-time employees, of which 573, or approximately 11% of its workforce, were employed under collective bargaining agreements primarily with the Teamsters Union. These employees are subject to labor agreements that are subject to renegotiation periodically. The Company has nine collective bargaining agreements that are set to expire in 2009. The Company does not expect any significant disruption in its overall business in 2009 as a result of labor negotiations, employee strikes or organizational efforts.

11. STOCKHOLDERS' EQUITY

Stock Split

On February 12, 2007, the Company announced that its Board of Directors had authorized a three-for-two stock split of its common stock, in the form of a 50% stock dividend, payable to stockholders of record as of February 27, 2007. Shares resulting from the split were issued on March 13, 2007. In connection therewith, the Company transferred $228 from retained earnings to common stock, representing the par value of additional shares issued. As a result of the stock split, fractional shares equal to 3,040 whole shares were repurchased for $132. All share and per share amounts for all periods presented have been adjusted to reflect the stock split.

Share Repurchase Program

The Company's Board of Directors has authorized a common stock repurchase program for the repurchase of up to $500,000 of common stock through December 31, 2009. Under the program, stock repurchases may be made in the open market or in privately negotiated transactions from time to time at management's discretion. The timing and amounts of any repurchases will depend on many factors, including the Company's capital structure, the market price of the common stock and overall market conditions. As of December 31, 2007 and 2008, the Company had repurchased 16,236,798 and 17,278,069 shares, respectively, of its common stock at a cost of $397,185 and $428,711, respectively. As of December 31, 2008, the remaining maximum dollar value of shares available for purchase under the program was approximately $80,217. The Company's policy related to repurchases of its common stock is to charge any excess of cost over par value entirely to additional paid-in capital.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Common Stock

Of the 70,157,761 shares of common stock authorized but unissued as of December 31, 2008, the following shares were reserved for issuance:

Stock option plans	6,717,008
2026 Convertible Senior Notes	5,882,354
Consultant Incentive Plan	275,072
2002 Restricted stock plan	10,531
	12,884,965

On September 24, 2008, the Company entered into an underwriting agreement with J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC and Credit Suisse Securities (USA) LLC, as representatives of the several underwriters involved, in connection with the offer and sale by the Company of 11,000,000 shares of its common stock, par value $0.01 per share, at a price of $32.50 per share. The Company granted the underwriters an option to purchase up to 1,650,000 additional shares of its common stock to cover over-allotments, which the underwriters exercised in full on September 25, 2008. The offering closed on September 30, 2008, and the Company received net proceeds of $393,930 after deducting underwriting discounts and commissions of $16,445, and estimated transaction expenses payable by the Company of approximately $750.

Restricted Stock and Stock Options

During 2002, the Company's Board of Directors adopted the 2002 Restricted Stock Plan in which selected employees, other than officers and directors, may participate. Restricted stock awards under the 2002 Restricted Stock Plan may or may not require a cash payment from a participant to whom an award is made. The awards become free of the stated restrictions over periods determined at the date of the grant, subject to continuing employment, the achievement of particular performance goals and/or the satisfaction of certain vesting provisions applicable to each award of shares. The Board of Directors authorizes the grant of any stock awards and determines the employees to whom shares are awarded, number of shares to be awarded, award period and other terms and conditions of the awards. Unvested shares of restricted stock may be forfeited and revert to the Company if a plan participant resigns from the Company and its subsidiaries, is terminated for cause or violates the terms of any noncompetition or nonsolicitation agreements to which that plan participant is bound (if such plan participant has been terminated without cause). A total of 213,750 shares of the Company's common stock were reserved for issuance under the 2002 Restricted Stock Plan. As of December 31, 2008, 10,531 shares of common stock were available for future grants of restricted stock under the 2002 Restricted Stock Plan. The fair value of restricted stock for the years ended December 31, 2006, 2007 and 2008, was determined based on the number of shares granted and the quoted price of the Company's common stock.

The following table summarizes activity for the 2002 Restricted Stock Plan:

	Year Ended December 31,		
	2006	2007	2008
Restricted shares granted	-	-	-
Weighted average grant-date fair value of shares granted	$ -	$ -	$ -
Total fair value of restricted shares granted	$ -	$ -	$ -
Restricted shares becoming free of restrictions	46,346	41,263	4,872
Weighted average restriction period (in years)	-	-	-

In 1997, the Company's Board of Directors adopted the 1997 Stock Option Plan in which all officers, employees, directors and consultants may participate. Options granted under the 1997 Stock Option Plan may either be incentive stock options or nonqualified stock options, generally have a term of 10 years from the date of grant, and will vest over periods determined at the date of grant. The exercise prices of the options are determined by the Company's Board of Directors and, in the case of incentive stock options, will be at least 100% or 110% of the fair market value of the Company's common stock on the date of grant as provided for in the 1997 Stock Option Plan. The 1997 Stock Option Plan provides for the reservation of common stock for issuance thereunder equal to 7,794,400 shares. As of December 31, 2008, no options for shares of common stock were available for future grants under the 1997 Stock Option Plan.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

In 2002, the Company's Board of Directors authorized two additional equity-based compensation plans: the 2002 Stock Option Plan and 2002 Senior Management Equity Incentive Plan. A total of 5,496,364 shares of the Company's common stock were reserved for future issuance under the 2002 Stock Option Plan. Participation in the 2002 Stock Option Plan is limited to consultants and employees, other than officers and directors. Options granted under the 2002 Stock Option Plan are nonqualified stock options and have a term of no longer than 10 years from the date they are granted. Options generally become exercisable in installments pursuant to a vesting schedule set forth in each option agreement. The Board of Directors authorizes the granting of options and determines the employees and consultants to whom options are to be granted, the number of shares subject to each option, the exercise price, option term, vesting schedule and other terms and conditions of the options. A total of 6,144,473 shares of the Company's common stock were reserved for future issuance under the 2002 Senior Management Equity Incentive Plan. The Company's stockholders approved the 2002 Senior Management Equity Incentive Plan on May 16, 2002. Participation in the 2002 Senior Management Equity Incentive Plan is limited to officers and directors of the Company and its subsidiaries. Options granted under the 2002 Senior Management Equity Incentive Plan may be either incentive stock options or nonqualified stock options and have a term of no longer than 10 years from the date they are granted. Options generally become exercisable in installments pursuant to a vesting schedule set forth in each option agreement. The Board of Directors authorizes the granting of options and determines the officers and directors to whom options are to be granted, the number of shares subject to each option, the exercise price, option term, vesting schedule and other terms and conditions of the options. In the case of incentive stock options, the exercise price will be at least 100% or 110% of the fair market value of the Company's common stock on the date of grant as provided for in the 2002 Senior Management Equity Incentive Plan. As of December 31, 2008, options for 0 and 1,000,000 shares of common stock were available for future grants under the 2002 Stock Option Plan and 2002 Senior Management Equity Incentive Plan, respectively.

In 2004, the Company's Board of Directors authorized the 2004 Equity Incentive Plan. On May 25, 2006, the stockholders of the Company approved the Second Amended and Restated 2004 Equity Incentive Plan, and on May 15, 2008, they approved further amendments to the Second Amended and Restated 2004 Equity Incentive Plan. A total of 3,775,000 shares of the Company's common stock were reserved for future issuance under the 2004 Equity Incentive Plan, all of which may be used for grants of stock options, restricted stock, and/or restricted stock units. Participation in the 2004 Equity Incentive Plan is limited to consultants and employees, including officers and directors. Options granted under the 2004 Equity Incentive Plan are nonqualified stock options and have a term of no longer than five years from the date they are granted. Restricted stock, restricted stock units, and options generally vest in installments pursuant to a vesting schedule set forth in each option or restricted stock or unit agreement. The Board of Directors authorizes the granting of options, restricted stock and restricted stock units, and determines the employees and consultants to whom options, restricted stock, and restricted stock units are to be granted, the number of shares subject to each option, restricted stock, or restricted stock unit, the exercise price, term, vesting schedule and other terms and conditions of the options, restricted stock, or restricted stock units. The exercise prices of the options shall not be less than the fair market value of the Company's common stock on the date of grant. Restricted stock awards under the plan may or may not require a cash payment from a participant to whom an award is made; restricted stock unit awards under the plan do not require any cash payment from the participant to whom an award is made. The fair value of restricted stock units granted during the years ended December 31, 2006, 2007 and 2008, was determined based on the number of stock units granted and the quoted price of the Company's common stock. As of December 31, 2008, 1,460,522 shares of common stock were available to be issued pursuant to future awards granted under the 2004 Equity Incentive Plan.

The following table summarizes restricted stock units activity for the 2004 Equity Incentive Plan:

	Year Ended December 31,		
	2006	2007	2008
Restricted stock units granted	492,000	426,802	379,949
Weighted average grant-date fair value of restricted stock units granted	$ 23.37	$ 29.08	$ 28.99
Total fair value of restricted stock units granted	$ 11,496	$ 12,413	$ 11,013
Restricted stock units becoming free of restrictions	10,283	127,005	217,991
Weighted average restriction period (in years)	4.6	4.5	4.4

As of December 31, 2006, 2007 and 2008, a total of 6,148,214, 4,031,781 and 3,127,840 options to purchase common stock were exercisable under all stock option plans, respectively.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of the Company's stock option activity and related information for the years ended December 31, 2006, 2007 and 2008, is presented below:

	Number of Shares (Options)	Weighted Average Exercise Price
Outstanding as of December 31, 2005	8,224,401	$ 17.08
Granted	518,400	23.21
Forfeited	(31,725)	23.31
Exercised	(2,061,563)	15.59
Outstanding as of December 31, 2006	6,649,513	17.99
Granted	-	-
Forfeited	(8,186)	22.73
Exercised	(2,237,618)	15.92
Outstanding as of December 31, 2007	4,403,709	19.04
Granted	-	-
Forfeited	(31,314)	22.53
Exercised	(1,022,481)	18.67
Outstanding as of December 31, 2008	3,349,914	19.12

The following table summarizes information about stock options outstanding as of December 31, 2008:

	Options Outstanding			Options Exercisable		
Exercise Price	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
$ 5.00 to $11.00	187,598	$ 10.60	3.0	187,598	$ 10.60	3.0
$11.01 to $16.00	400,766	14.54	4.0	400,766	14.54	4.0
$16.01 to $20.00	950,563	16.64	5.1	950,563	16.64	5.1
$20.01 to $30.00	1,810,987	22.31	5.2	1,588,913	22.19	4.9
	3,349,914	19.12	4.9	3,127,840	18.82	4.7

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2008, was $41,722 and $39,864, respectively.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of option activity under the foregoing stock option plans as of December 31, 2007, and changes during the year ended December 31, 2008, is presented below:

	Unvested Shares	Vested Shares	Total Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2007	371,928	4,031,781	4,403,709	$ 19.04
Granted	-	-	-	-
Forfeited	(26,672)	(4,642)	(31,314)	22.53
Vested	(123,182)	123,182	-	-
Exercised	-	(1,022,481)	(1,022,481)	18.67
Outstanding at December 31, 2008	222,074	3,127,840	3,349,914	19.12

The total intrinsic value of stock options exercised during the years ended December 31, 2006, 2007 and 2008, was $20,299, $34,951 and $15,711, respectively. The total fair value of stock options vested during the years ended December 31, 2006, 2007 and 2008, was $8, $643 and $643, respectively.

A summary of activity related to restricted stock and restricted stock units under the 2002 Restricted Stock Plan and the 2004 Equity Incentive Plan as of December 31, 2007, and changes during the year ended December 31, 2008, is presented below:

	Unvested Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at December 31, 2007	804,748	$ 26.29
Granted	379,949	28.99
Forfeited	(55,262)	26.78
Vested	(222,863)	26.02
Outstanding at December 31, 2008	906,572	27.45

Stock Purchase Warrants

In 2002, the Company's Board of Directors authorized the 2002 Consultant Incentive Plan, under which warrants to purchase the Company's common stock may be issued to certain consultants to the Company. Warrants awarded under the Consultant Incentive Plan are subject to a vesting schedule set forth in each warrant agreement. Historically, warrants issued have been fully vested and exercisable at the date of grant. The Board of Directors authorizes the issuance of warrants and determines the consultants to whom warrants are to be issued, the number of shares subject to each warrant, the purchase price, exercise date and period, warrant term and other terms and conditions of the warrants. The Board reserved 450,000 shares of the Company's common stock for future issuance under the Consultant Incentive Plan. As of December 31, 2008, 230,949 shares of common stock were available for future grants of warrants under the 2002 Consultant Incentive Plan. The Company issued 15,395, 14,137 and 9,267 warrants under the Consultant Incentive Plan during the years ended December 31, 2006, 2007 and 2008, respectively.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A summary of warrant activity as of December 31, 2007, and changes during the year ended December 31, 2008, is presented below:

	Warrants	Weighted-Average Exercise Price
Outstanding at December 31, 2007	52,981	$ 24.07
Granted	9,267	31.28
Forfeited	-	-
Exercised	(18,125)	17.02
Outstanding at December 31, 2008	44,123	28.28

The following table summarizes information about warrants outstanding as of December 31, 2007 and 2008:

Grant Date	Warrants Issued	Exercise Price	Fair Value of Warrants Issued	Outstanding at December 31, 2007	Outstanding at December 31, 2008
February 1998	450,000	$ 1.78	$ 954	5,000	-
Throughout 2005	22,200	19.75 to 25.25	136	18,449	5,550
Throughout 2006	15,395	22.73 to 27.47	115	15,395	15,171
Throughout 2007	14,137	29.70 to 34.02	123	14,137	14,135
Throughout 2008	9,267	28.46 to 34.05	79	-	9,267
				52,981	44,123

The warrants are exercisable when granted and expire between 2009 and 2013.

Warrants issued to consultants are valued using the Black-Scholes pricing model with assumed stock price volatility and risk-free interest rates similar to those used for stock options, and with a contractual life of ten years for warrants granted before 2002 and five years for warrants granted in 2002 and forward. Warrants issued to consultants are recorded as an element of the related cost of acquisitions or landfill development projects, based on the services provided by the consultant.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

12. COMPREHENSIVE INCOME

Comprehensive income includes changes in the fair value of commodity fuel swaps and changes in the fair value of interest rate swaps that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the years ended December 31, 2006, 2007 and 2008, are as follows:

	Year Ended December 31, 2006		
	Gross	Tax effect	Net of tax
Amounts reclassified into earnings	$ (6,842)	$ 2,599	$ (4,243)
Changes in fair value of interest rate swaps	3,955	(1,602)	2,353
	$ (2,887)	$ 997	$ (1,890)

	Year Ended December 31, 2007		
	Gross	Tax effect	Net of tax
Amounts reclassified into earnings	$ (3,785)	$ 1,465	$ (2,320)
Changes in fair value of interest rate swaps	(8,196)	3,159	(5,037)
	$ (11,981)	$ 4,624	$ (7,357)

	Year Ended December 31, 2008		
	Gross	Tax effect	Net of tax
Amounts reclassified into earnings	$ 6,468	$ (2,458)	$ 4,010
Changes in fair value of interest rate swaps	(27,264)	10,311	(16,953)
Changes in fair value of fuel commodity swaps	(10,813)	4,109	(6,704)
	$ (31,609)	$ 11,962	$ (19,647)

In accordance with SFAS 133, the effective portions of the changes in fair values of interest rate swaps and fuel commodity swaps have been recorded in stockholders' equity as a component of accumulated other comprehensive income. Because all critical terms of the interest rate swaps match the underlying debt being hedged, no ineffectiveness is recognized on these swaps and, therefore, all unrealized changes in fair value are recorded in Accumulated Other Comprehensive Loss. Amounts reclassified into earnings related to realized gains and losses on interest rate swaps are recognized in Interest Expense in the Consolidated Statements of Income when interest payments or receipts occur related to the swap contracts. Because changes in the actual price of diesel fuel and changes in the DOE index price do not offset exactly, the Company has determined it will assess whether the fuel hedges are highly effective on a prospective and retrospective basis using the cumulative dollar offset approach. At inception of the fuel hedges and at December 31, 2008, all of the Company's fuel hedges were determined to be highly effective, therefore, the entire unrealized fair value of these agreements at December 31, 2008, has been recorded in Accumulated Other Comprehensive Loss. Beginning in January 2009, when the first fuel commodity swaps become effective, the Company will measure and record ineffectiveness on the fuel hedges based on the difference between the DOE index price and the actual price of diesel fuel purchased. Further, beginning in January 2009, amounts that will be reclassified into earnings related to realized gains and losses on fuel commodity swaps will be recognized in Cost of Operations in the Consolidated Statements of Income when the underlying fuel is consumed. The estimated net amount of the existing unrealized losses on interest rate swaps as of December 31, 2008 (based on the interest rate yield curve at that date), included in accumulated other comprehensive income expected to be reclassified into pre-tax earnings within the next 12 months is $14,340. The estimated net amount of the existing unrealized losses on fuel commodity swaps as of December 31, 2008 (based on the DOE diesel fuel index at that date), included in accumulated other comprehensive income expected to be reclassified into pre-tax earnings within the next 12 months is $7,146. The timing of actual amounts reclassified into earnings is dependent on future movements in interest rates and diesel fuel prices.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

A rollforward of the amounts included in Accumulated Other Comprehensive Loss, net of taxes, is as follows:

	Fuel Commodity Swap	Interest Rate Swap	Accumulated Other Comprehensive Loss
Balance at December 31, 2007	$ -	$ (4,290)	$ (4,290)
Amounts reclassified into earnings	-	4,010	4,010
Changes in fair value	(6,704)	(16,953)	(23,657)
Balance at December 31, 2008	$ (6,704)	$ (17,233)	$ (23,937)

13. INCOME TAXES

The provision for income taxes for the years ended December 31, 2006, 2007 and 2008, consists of the following:

	Years Ended December 31,		
	2006	2007	2008
Current:			
Federal	$ 18,759	$ 40,526	$ 22,492
State	2,985	6,951	4,006
Deferred:			
Federal	24,223	11,076	29,656
State	2,362	1,364	2,246
Provision for income taxes	$ 48,329	$ 59,917	$ 58,400

Significant components of deferred income tax assets and liabilities as of December 31, 2007 and 2008 are as follows:

	2007	2008
Deferred income tax assets:		
Accounts receivable reserves	$ 1,698	$ 1,461
Accrued expenses	9,837	10,885
Self-insurance reserves	4,619	4,391
Net operating losses from acquired subsidiaries	113	-
Equity-based compensation	2,451	3,220
Interest rate and fuel commodity swaps	2,709	14,671
State taxes	2,369	1,333
Other	308	1,384
Gross deferred income tax assets	24,104	37,345
Less: Valuation allowance	-	-
Net deferred income tax assets	24,104	37,345
Deferred income tax liabilities:		
Goodwill and other intangibles	(87,060)	(106,799)
Property and equipment	(126,725)	(138,547)
Landfill closure/post-closure	(12,523)	(14,196)
Prepaid expenses	(6,372)	(6,970)
Total deferred income tax liabilities	(232,680)	(266,512)
Net deferred income tax liability	$ (208,576)	$ (229,167)

As of the year ended December 31, 2008, the Company had requested written approval from the Internal Revenue Service ("IRS") to exclude probable expansion airspace from its calculation of landfill depreciation for tax purposes. During 2008, the Company continued to work with the IRS to pursue its approval. If the IRS approves the request, the Company would accelerate the timing of its landfill depreciation deductions, which would reduce the Company's tax payments in the year granted by approximately $11,000.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

During the years ended December 31, 2007 and 2008, the Company reduced its taxes payable by $15,294 and $8,546, respectively, as a result of the exercise of non-qualified stock options, the vesting of restricted stock and restricted stock units, and the disqualifying disposition of incentive stock options. The excess tax benefit associated with equity-based compensation of $14,137 and $6,441 for the years ended December 31, 2007 and 2008, respectively, was recorded in additional paid-in capital.

The differences between the Company's income tax provision as presented in the accompanying statements of income and income tax provision computed at the federal statutory rate consist of the items shown in the following table as a percentage of pre-tax income:

	Years Ended December 31,		
	2006	**2007**	**2008**
Income tax provision at the statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	2.9	3.9	3.2
Deferred income tax liability adjustments	1.2	(1.3)	(2.3)
Other	(0.7)	0.1	(0.3)
	38.4%	37.7%	35.6%

During the year ended December 31, 2006, the increase to the net deferred income tax liability due to changes in the geographical apportionment of the Company's state taxes, net of the adjustments resulting from the reconciliation of its deferred income tax liability, resulted in an increase to tax expense of $1,517. During the year ended December 31, 2007, the decrease to the net deferred income tax liability due to the adjustments resulting from the reconciliation of the Company's deferred income tax liability, net of the impact from changes in the geographical apportionment of its state taxes, resulted in a reduction to tax expense of $2,047. During the year ended December 31, 2008, the decrease to the net deferred income tax liability due primarily to changes in the geographical apportionment of the Company's state taxes resulted in a reduction to tax expense of $3,730. Additionally, during the year ended December 31, 2008, the Company recorded a reduction to tax expense of $1,146, due primarily to 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.

At December 31, 2008, the Company did not have any significant federal and state net operating loss ("NOL") carryforwards. During the years ended December 31, 2007 and 2008, the Company utilized $481 and $293 of net operating losses to reduce current tax expense by $186 and $113, respectively.

The Company and its subsidiaries are subject to U.S. federal income tax as well as to income tax of multiple state jurisdictions. The Company has concluded all U.S. federal income tax matters for years through 2004. All material state and local income tax matters have been concluded for years through 2003.

Effective January 1, 2007, the Company adopted FIN 48. As a result of the implementation of FIN 48, the changes to the Company's liability for uncertain tax positions was accounted for as a $2,897 adjustment to increase the 2007 beginning balance of retained earnings on the Company's balance sheet. At December 31, 2007 and 2008, the Company had approximately $6,716 and $1,764, respectively, of total gross unrecognized tax benefits. Of the total gross unrecognized tax benefits at December 31, 2007 and 2008, $3,402 and $1,388, respectively, (both net of the federal benefit on state amounts) represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods. The Company does not anticipate the total amount of unrecognized tax benefits will significantly change by December 31, 2009.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had approximately $851 and $291 accrued for interest, net of tax, at December 31, 2007 and 2008, respectively, and no accrual for penalties at December 31, 2007 and 2008. The Company recognized, net of releases, approximately $398 for interest, net of tax, and no accrual for penalties during the year ended December 31, 2007. The Company released, net of recognition, approximately $560 for interest, net of tax, and recognized no accrual for penalties during the year ended December 31, 2008.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following is a rollforward of the Company's unrecognized tax benefits from January 1, 2007 to December 31, 2008:

	2007	2008
Unrecognized tax benefits at beginning of period	$ 6,702	$ 6,716
Gross increases – tax positions in prior periods	918	-
Gross decreases – tax positions in prior periods	-	(37)
Lapse of statute of limitations	(904)	(4,915)
Unrecognized tax benefits at end of period	$ 6,716	$ 1,764

14. REVENUE BY SERVICE TYPE

The table below shows for the periods indicated the Company's total reported revenues by service line and intercompany eliminations.

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

15. NET INCOME PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share for the years ended December 31, 2006, 2007 and 2008:

	Years Ended December 31,		
	2006	2007	2008
Numerator:			
Net income for basic and diluted earnings per share	$ 77,423	$ 99,081	$ 105,556
Denominator:			
Basic shares outstanding	68,136,126	68,238,523	70,024,874
Dilutive effect of 2022 Convertible Subordinated Notes	393,026	-	-
Dilutive effect of 2026 Convertible Subordinated Notes	-	-	41,270
Dilutive effect of stock options and warrants	1,746,783	1,592,418	1,161,858
Dilutive effect of restricted stock	132,738	163,772	191,710
Diluted shares outstanding	70,408,673	69,994,713	71,419,712

The Company's 2022 Notes were convertible, under certain circumstances, into a maximum of 8,137,002 shares of common stock until they were redeemed in May and June 2006 (see Note 8). The 2022 Notes required (subject to certain exceptions) payment of the principal value in cash and net share settle of the conversion value in excess of the principal value of the notes upon conversion. In accordance with EITF 04-8, *The Effect of Contingently Convertible Instruments on Diluted Earnings per Share* ("EITF 04-8"), the Company has included the dilutive effect of the conversion value in excess of the principal value of the notes.

The Company's 2026 Notes are convertible, under certain circumstances, into a maximum of 5,882,354 shares of common stock. The 2026 Notes require (subject to certain exceptions) payment of the principal value in cash and net share settle of the conversion value in excess of the principal value of the notes upon conversion. The 2026 Notes were dilutive in the third quarter of 2008. Therefore, in accordance with EITF 04-8, the Company has included within diluted shares outstanding the dilutive effect of the conversion value in excess of the principal value of the notes. In addition, the conversion feature of the 2026 Notes meets all the requirements of EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, to be accounted for as an equity interest and not as a derivative. Therefore, in the event the 2026 Notes become convertible, a holder electing to convert will receive a cash payment for the principal amount of the debt and net shares of the Company's common stock equal to the value of the conversion spread. The Company will apply the provisions of FSP No. APB 14-1 to compute any gain or loss upon conversion, as disclosed in Note 1.

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Additionally, as of December 31, 2006, 2007 and 2008, the following stock options and warrants were not included in the computation of diluted net income per share because to do so would have been antidilutive:

	December 31, 2006		December 31, 2007		December 31, 2008	
	Number of Shares	Exercise Price Range	Number of Shares	Exercise Price Range	Number of Shares	Exercise Price Range
Outstanding options	12,000	$25.37 to $26.59	-	-	-	$ -
Outstanding warrants	12,338	$25.82 to $27.47	8,777	$31.09 to $34.02	2,977	$ 34.02 to 34.05
	24,338		8,777		2,977	

16. EMPLOYEE BENEFIT PLANS

WCI has a voluntary savings and investment plan (the "WCI 401(k) Plan"). The WCI 401(k) Plan is available to all eligible, non-union employees of WCI. Under the WCI 401(k) Plan, WCI's contributions were 50% of the first 5% of the participating employee's base salary contributed in December 31, 2006, 2007 and 2008. The Murrey Companies, wholly-owned subsidiaries of the Company, have a voluntary savings and investment plan (the "Murrey 401(k) Plan"). The Murrey 401(k) Plan is available to all eligible, non-union employees of the Murrey Companies. Under the Murrey 401(k) Plan, the Murrey Companies' contributions are at the discretion of management. During the years ended December 31, 2006, 2007 and 2008, total employer expenses, including employer contributions, for the WCI and Murrey 401(k) Plans were approximately $3,497, $4,046 and $4,254, respectively.

The Company also participates in various "multiemployer" pension plans administered by employee and union trustees. The Company makes periodic contributions to these plans to allow them to meet their pension benefit obligations to their participants. During the years ended December 31, 2006, 2007 and 2008, total employer expenses for the multiemployer pension plans were approximately $256, $276, and $453, respectively.

Effective for compensation paid on and after July 1, 2004, the Company established a Deferred Compensation Plan for eligible employees, which was amended and restated effective January 1, 2008 (the "Deferred Compensation Plan"). The Deferred Compensation Plan is a non-qualified deferred compensation program under which the eligible participants, including officers and certain employees who meet a minimum salary threshold, may voluntarily elect to defer up to 80% of their base salaries and up to 100% of their bonuses and commissions. Members of the Company's Board of Directors are eligible to participate in the Deferred Compensation Plan with respect to their Director fees. Although the Company periodically contributes the amount of its obligation under the plan to a trust on the benefit of the participants, the amounts of any compensation deferred under the Plan constitute an unsecured obligation of the Company to pay the participants in the future and, as such, are subject to the claims of other creditors in the event of insolvency proceedings. Participants may elect certain future distribution dates on which all or a portion of their accounts will be paid to them in cash, including in the case of a change in control of the Company. In addition to the amount of their contributions, the Company will pay participants a return based on the returns of various mutual funds or measurement funds selected by the participants. The measurement funds are used only to determine the amount of return the Company pays to participants and participant funds are not actually invested in the measurement fund. The total liability for deferred compensation at December 31, 2007 and 2008 was $2,578 and $2,560, respectively.

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the unaudited consolidated quarterly results of operations as reported for 2007:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 218,951	$ 241,084	$ 250,775	$ 247,730
Operating income	46,422	53,758	57,104	49,725
Net income	22,380	25,266	28,682	22,754
Basic income per common share	0.33	0.37	0.42	0.34
Diluted income per common share	0.32	0.36	0.41	0.33

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table summarizes the unaudited consolidated quarterly results of operations as reported for 2008:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 250,300	$ 267,033	$ 272,702	$ 259,568
Operating income	50,798	55,590	56,695	49,273
Net income	23,118	26,234	28,273	27,931
Basic income per common share	0.35	0.39	0.42	0.35
Diluted income per common share	0.34	0.39	0.41	0.34

18. SUBSEQUENT EVENTS

On February 6, 2009, the Company and some of its subsidiaries ("buyers") entered into an Asset Purchase Agreement with Republic Services, Inc. and some of its subsidiaries and affiliates ("sellers") pursuant to which the buyers agreed to purchase from sellers assets principally used by the sellers in connection with their solid waste collection and disposal business. The assets being acquired include six municipal solid waste landfills, six collection operations and three transfer stations across seven markets: Southern California; Denver, CO; Houston, TX; Lubbock, TX; Greenville/Spartanburg, SC; Charlotte, NC; and Flint, MI. The purchase price for the assets is approximately $313,160, 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. The sale of these assets to the buyers is subject to a court order issued in connection with the December 2008 merger between Republic Services and Allied Waste Industries, Inc.

The Asset Purchase Agreement contains representations and warranties, covenants, conditions and post-closing indemnities. The closing of transaction remains subject to closing conditions contained in the Asset Purchase Agreement, including regulatory approval and receipt of certain governmental and third party consents. The Asset Purchase Agreement may be terminated by mutual consent of the Company and Republic Services or by either the Company or Republic Services under specified circumstances or if the transaction has not closed by August 15, 2009.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2008, at the reasonable assurance level such that information required to be disclosed in our Exchange Act reports: (1) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms; and (2) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. This process includes policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and any dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles; (3) provide reasonable assurance that receipts and expenditures of ours are being made only in accordance with authorizations of our management; and (4) provide reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material affect on our financial statements would be prevented or timely detected.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our internal control over financial reporting as of December 31, 2008. In conducting our evaluation, we used the framework set forth in the report titled "Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of our evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of our internal control over financial reporting as of December 31, 2008, has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in its report which appears in Item 8 of this Annual Report of Form 10-K.

Changes in Internal Control Over Financial Reporting

Based on an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, there has been no change to our internal control over financial reporting that occurred during the three month period ended December 31, 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 6, 2009, the Company and some of its subsidiaries ("buyers") entered into an Asset Purchase Agreement with Republic Services, Inc. and some of its subsidiaries and affiliates ("sellers") pursuant to which the buyers agreed to purchase from sellers assets principally used by the sellers in connection with their solid waste collection and disposal business. The assets being acquired include six municipal solid waste landfills, six collection operations and three transfer stations across seven markets: Southern California; Denver, CO; Houston, TX; Lubbock, TX; Greenville/Spartanburg, SC; Charlotte, NC; and Flint, MI. 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. The sale of these assets to the buyers is subject to a court order issued in connection with the December 2008 merger between Republic Services and Allied Waste Industries, Inc.

The Asset Purchase Agreement contains representations and warranties, covenants, conditions and post-closing indemnities. The closing of transaction remains subject to closing conditions contained in the Asset Purchase Agreement, including regulatory approval and receipt of certain governmental and third party consents. The Asset Purchase Agreement may be terminated by mutual consent of the Company and Republic Services or by either the Company or Republic Services under specified circumstances or if the transaction has not closed by August 15, 2009.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth above in Part I under "Executive Officers of the Registrant" and in the paragraph below, the information required by Item 10 has been omitted from this report, and is incorporated by reference to the sections "Election of Directors," "Corporate Governance and Board Matters" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for the 2009 Annual Meeting of Stockholders, which we will file with the SEC pursuant to Regulation 14A within 120 days after the end of our 2008 fiscal year.

We have adopted a Code of Conduct and Ethics that applies to our officers, including our principal executive officer, principal financial officer, principal accounting officer and all other officers, directors and employees. We have also adopted Corporate Governance Guidelines to promote the effective functioning of our Board of Directors and its committees, to promote the interests of stockholders and to ensure a common set of expectations concerning how the Board, its committees and management should perform their respective functions. Our Code of Conduct and Ethics and our Corporate Governance Guidelines are available on our website at http://www.wasteconnections.com as are the charters of our Board's Audit, Nominating and Corporate Governance and Compensation Committees. Information on or that can be accessed through our website is not incorporated by reference to this report. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendments to, or waiver from, a provision of our Code of Conduct by posting such information on our website.

Stockholders may also obtain copies of the Corporate Governance documents discussed above by contacting our Secretary at the address or phone number listed on the cover page of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 has been omitted from this report and is incorporated by reference to the section "Executive Compensation" and "Corporate Governance and Board Matters" in our definitive Proxy Statement for the 2009 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by Item 12 has been omitted from this report and is incorporated by reference to the sections "Principal Stockholders" and "Equity Compensation Plan Information" in our definitive Proxy Statement for the 2009 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by Item 13 has been omitted from this report and is incorporated by reference to the sections "Certain Relationships and Related Transactions" and "Corporate Governance and Board Matters" in our definitive Proxy Statement for the 2009 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by Item 14 has been omitted from this report and is incorporated by reference to the section "Appointment of Independent Registered Public Accounting Firm" in our definitive Proxy Statement for the 2009 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) See Index to Consolidated Financial Statements on page 45. The following Financial Statement Schedule is filed herewith on page 91 and made a part of this Report:

Schedule II - Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable, and therefore have been omitted.

(b) See Exhibit Index immediately following signature pages.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Waste Connections, Inc.

By: /s/ Ronald J. Mittelstaedt
Ronald J. Mittelstaedt
Chief Executive Officer and Chairman

Date: February 10, 2009

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ronald J. Mittelstaedt and Worthing F. Jackman, jointly and severally, his true and lawful attorneys-in-fact, each with the power of substitution, for him in any and all capacities to sign any amendments to this Annual Report on Form 10-K, and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ronald J. Mittelstaedt Ronald J. Mittelstaedt	Chief Executive Officer and Chairman (principal executive officer)	February 10, 2009
/s/ Worthing F. Jackman Worthing F. Jackman	Executive Vice President and Chief Financial Officer (principal financial officer)	February 10, 2009
/s/ David G. Eddie David G. Eddie	Vice President – Corporate Controller (principal accounting officer)	February 10, 2009
/s/ Michael W. Harlan Michael W. Harlan	Director	February 10, 2009
/s/ William J. Razzouk William J. Razzouk	Director	February 10, 2009
/s/ Robert H. Davis Robert H. Davis	Director	February 10, 2009
/s/ Edward E. Guillet Edward E. Guillet	Director	February 10, 2009

WASTE CONNECTIONS, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2006, 2007 and 2008
(in thousands)

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions (Write-offs, Net of Collections)	Balance at End of Year
Allowance for Doubtful Accounts:					
Year Ended December 31, 2006	$ 2,826	$ 3,664	$ -	$ (3,001)	$ 3,489
Year Ended December 31, 2007	3,489	4,112	-	(3,214)	4,387
Year Ended December 31, 2008	4,387	4,126	-	(4,667)	3,846

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Stock Purchase Agreement, dated as of August 1, 2008, by and among Waste Connections, Inc., on the one hand, and Harold LeMay Enterprises, Incorporated and its shareholders, on the other hand (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on August 7, 2008)
2.2 *	First Amendment to Stock Purchase Agreement, dated as of October 28, 2008, by and among Waste Connections, Inc., on the one hand, and Harold LeMay Enterprises, Incorporated and Norman LeMay in his capacity as the Shareholders' Representative, on the other hand
2.3	Equity Purchase Agreement dated as of August 1, 2008 by and among Waste Connections of Washington, Inc., Land Recovery, Inc., Resource Investments, Inc. and the shareholders of Land Recovery, Inc. and Resource Investments, Inc. (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on August 7, 2008)
2.4 *	First Amendment to Equity Purchase Agreement, dated as of October 28, 2008, by and among Waste Connections of Washington, Inc., on the one hand, and Land Recovery, Inc., Resource Investments, Inc. and Norman LeMay in his capacity as the Stakeholders' Representative, on the other hand
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on July 24, 2007)
3.2	Amended and Restated Bylaws of the Registrant, adopted July 20, 2004 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on July 22, 2004)
3.3	Second Amended and Restated Bylaws of the Registrant, effective May 15, 2009 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on January 15, 2009)
4.1	Form of Common Stock Certificate (incorporated by reference to the exhibit filed with the Registrant's Form S-1/A filed on May 6, 1998)
4.2	Indenture between the Registrant, as Issuer, and U.S. Bank National Association, as Trustee, dated as of March 20, 2006 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on March 23, 2006)
4.3	Registration Rights Agreement between the Registrant, and Citigroup Global Markets Inc. and Banc of America Securities LLC, dated as of March 20, 2006 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on March 23, 2006)
4.4	Revolving Credit Agreement, dated as of September 27, 2007 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on October 3, 2007)
4.5	Increase in Commitment, dated as of June 9, 2008 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on June 10, 2008)
4.6 *	Amendment No. 1 to Revolving Credit Agreement, dated as of October 17, 2008
10.1 +	Form of Warrant Agreement (incorporated by reference to the exhibit filed with the Registrant's Form S-1 filed on March 16, 1998)
10.2 +	Employment Agreement between the Registrant and James M. Little, dated as of September 13, 1999 (incorporated by reference to the exhibit filed with the Registrant's Form 10-K filed on March 13, 2000)
10.3 +	Second Amended and Restated Employment Agreement between the Registrant and Darrell W. Chambliss, dated as of June 1, 2000 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on November 14, 2000)

Exhibit Number	Description of Exhibits
10.4 +	Second Amended and Restated 1997 Stock Option Plan (incorporated by reference to the exhibit filed with the Registrant's Form S-8 filed on July 24, 2000)
10.5 +	Employment Agreement between the Registrant and Eric O. Hansen, dated as of January 1, 2001 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on May 3, 2005)
10.6 +	2002 Senior Management Equity Incentive Plan (incorporated by reference to the exhibit filed with the Registrant's Form 10-K filed on February 11, 2008)
10.7 +	2002 Stock Option Plan (incorporated by reference to the exhibit filed with the Registrant's Form 10-K filed on February 11, 2008)
10.8 +	2002 Restricted Stock Plan (incorporated by reference to the exhibit filed with the Registrant's Form S-8 filed on June 19, 2002)
10.9 +	Employment Agreement between the Registrant and Worthing F. Jackman, dated as of April 11, 2003 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on August 13, 2003)
10.10 +	Nonqualified Deferred Compensation Plan, amended and restated as of January 1, 2008 (incorporated by reference to the exhibit filed with the Registrant's Form 10-K filed on February 11, 2008)
10.11 +	Second Amended and Restated Employment Agreement between the Registrant and Steven F. Bouck, dated as of October 1, 2004 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on October 22, 2004)
10.12 +	Amended and Restated Compensation Plan for Independent Directors, dated December 7, 2007 (incorporated by reference to the exhibit filed with the Registrant's Form 10-K filed on February 11, 2008)
10.13 +	Second Amended and Restated Employment Agreement between the Registrant and Ronald J. Mittelstaedt, dated as of March 1, 2004 (and as amended March 22, 2005) (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on May 3, 2005)
10.14 +	First Amended and Restated Employment Agreement between the Registrant and David M. Hall, dated as of October 1, 2005 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on October 4, 2005)
10.15 +	First Amended and Restated Employment Agreement between the Registrant and David G. Eddie, dated as of October 1, 2005 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on October 4, 2005)
10.16 +	Form of Indemnification Agreement between the Registrant and each of its directors and officers (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on July 31, 2006)
10.17 +	Employment Agreement between the Registrant and Eric M. Merrill, dated as of June 1, 2007 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on July 24, 2007)
10.18 +	Employment Agreement between the Registrant and Patrick J. Shea, dated as of February 1, 2008 (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on April 23, 2008)
10.19 +	Consultant Incentive Plan (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on April 23, 2008)
10.20* +	Second Amended and Restated 2004 Equity Incentive Plan (as amended and restated)

Exhibit Number	Description of Exhibits
10.21 +	Amended and Restated Senior Management Incentive Plan (incorporated by reference to the exhibit filed with the Registrant's Form 10-Q filed on July 30, 2008)
10.22 +	Master Note Purchase Agreement, dated July 15, 2008 (incorporated by reference to the exhibit filed with the Registrant's Form 8-K filed on July 18, 2008)
10.23 * +	Form of Amendment to Employment Agreement between the Registrant and each of Ronald J. Mittelstaedt, Steven F. Bouck, Darrell W. Chambliss and Worthing F. Jackman
10.24 * +	Form of Amendment to Employment Agreement between the Registrant and each of David G. Eddie, David M. Hall, Eric M. Merrill and Patrick J. Shea
10.25 * +	Form of Amendment to Employment Agreement between the Registrant and James M. Little
10.26 * +	Form of Amendment to Employment Agreement between the Registrant and Eric O. Hansen
12.1 *	Statement regarding Computation of Ratios
21.1 *	Subsidiaries of the Registrant
23.1 *	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (see signature page of this Annual Report on Form 10-K)
31.1 *	Certification of Chief Executive Officer
31.2 *	Certification of Chief Financial Officer
32.1 *	Certificate of Chief Executive Officer and Chief Financial Officer

* Filed herewith.
+ Management contract or compensatory plan, contract or arrangement.