WASTE CONNECTIONS, INC.
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

or

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

For the transition period from to

Commission file number 1-31507

WASTE CONNECTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-3283464
(I.R.S. Employer Identification No.)

2295 Iron Point Road, Suite 200, Folsom, CA 95630
(Address of principal executive offices) (Zip code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

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

þ Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

Indicate the number of shares outstanding of each of the issuer’s classes of common stock:

As of April 30, 2009: 80,066,646 shares of common stock

WASTE CONNECTIONS, INC.
FORM 10-Q

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Item 1. Financial Statements

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

	December 31, 2008	March 31, 2009
ASSETS		
Current assets:		
Cash and equivalents	$ 265,264	$ 335,758
Accounts receivable, net of allowance for doubtful accounts of $3,846 and $3,309 at December 31, 2008 and March 31, 2009, respectively	118,456	116,543
Deferred income taxes	22,347	21,066
Prepaid expenses and other current assets	23,144	17,097
Total current assets	429,211	490,464
Property and equipment, net	984,124	991,098
Goodwill	836,930	839,203
Intangible assets, net	306,444	303,822
Restricted assets	23,009	24,647
Other assets, net	20,639	19,930
	$ 2,600,357	$ 2,669,164
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 65,537	$ 60,634
Book overdraft	4,315	8,430
Accrued liabilities	95,220	99,984
Deferred revenue	45,694	44,296
Current portion of long-term debt and notes payable	4,698	3,901
Total current liabilities	215,464	217,245
Long-term debt and notes payable	819,828	855,205
Other long-term liabilities	47,509	54,893
Deferred income taxes	255,559	259,885
Total liabilities	1,338,360	1,387,228
Commitments and contingencies (Note 13)		
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; 79,842,239 and 80,049,077 shares issued and outstanding at December 31, 2008 and March 31, 2009, respectively	798	800

Additional paid-in capital	661,555	662,512
Accumulated other comprehensive loss	(23,937)	(27,269)
Retained earnings	622,913	644,891
Total Waste Connections' equity	1,261,329	1,280,934
Noncontrolling interests	668	1,002
Total equity	1,261,997	1,281,936
	$ 2,600,357	$ 2,669,164

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

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except share and per share amounts)

	Three months ended March 31, 2008	Three months ended March 31, 2009
Revenues	$ 250,300	$ 262,675
Operating expenses:		
Cost of operations	149,132	154,703
Selling, general and administrative	27,090	32,515
Depreciation	21,827	24,840
Amortization of intangibles	1,396	2,476
Loss on disposal of assets	57	507
Operating income	50,798	47,634
Interest expense	(10,612)	(12,249)
Interest income	224	1,024
Other income (expense), net	(12)	6
Income before income taxes	40,398	36,415
Income tax provision	(14,570)	(14,103)
Net income	25,828	22,312
Less: Net income attributable to noncontrolling interests	(3,373)	(334)
Net income attributable to Waste Connections	$ 22,455	$ 21,978
Earnings per common share attributable to Waste Connections' common stockholders:		
Basic	$ 0.34	$ 0.27
Diluted	$ 0.33	$ 0.27
Shares used in the per share calculations:		
Basic	66,789,398	79,963,438
Diluted	68,121,953	80,758,941

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

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except share amounts)

		Waste Connections' Equity						
	Comprehensive Income	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2007		67,052,135	$ 670	$ 254,284	$ (4,290)	$ 524,481	$ 30,220	$ 805,365
Cumulative change from adoption of accounting policy - FSP No. APB 14-1		—	—	13,726	—	(4,471)	—	9,255
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)
Distributions to noncontrolling interests		—	—	—	—	—	(8,232)	(8,232)
Changes in ownership interest in noncontrolling interests		—	—	—	—	—	(33,560)	(33,560)
Net income	$ 115,143	—	—	—	—	102,903	12,240	115,143
Other comprehensive loss	(31,609)	—	—	—	—	—	—	—
Income tax effect of other comprehensive loss	11,962	—	—	—	—	—	—	—
Comprehensive income	95,496	—	—	—	—	—	—	—
Comprehensive income attributable to noncontrolling interests	(12,240)	—	—	—	—	—	—	—
Comprehensive income attributable to Waste Connections	$ 83,256	—	—	—	—	—	—	—
Balances at December 31, 2008		79,842,239	798	661,555	(23,937)	622,913	668	1,261,997
Vesting of restricted stock		248,162	2	(2)	—	—	—	—
Cancellation of restricted stock and warrants		(84,263)	(1)	(2,341)	—	—	—	(2,342)
Stock-based compensation		—	—	2,162	—	—	—	2,162
Exercise of stock options and warrants		42,939	1	1,017	—	—	—	1,018
Excess tax benefit associated with equity-based compensation		—	—	115	—	—	—	115
Issuance of common stock warrants to consultants		—	—	6	—	—	—	6

Amounts reclassified into earnings, net of taxes		—	—	—	4,110	—	—	4,110
Changes in fair value of interest rate swaps, net of taxes		—	—	—	(7,442)	—	—	(7,442)
Net income	$ 22,312	—	—	—	—	21,978	334	22,312
Other comprehensive loss	(5,374)	—	—	—	—	—	—	—
Income tax effect of other comprehensive loss	2,042	—	—	—	—	—	—	—
Comprehensive income	18,980	—	—	—	—	—	—	—
Comprehensive income attributable to noncontrolling interests	(334)	—	—	—	—	—	—	—
Comprehensive income attributable to Waste Connections	$ 18,646	—	—	—	—	—	—	—
Balances at March 31, 2009		80,049,077	$ 800	$ 662,512	$ (27,269)	$ 644,891	$ 1,002	$ 1,281,936

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

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WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three months ended March 31, 2008	Three months ended March 31, 2009
Cash flows from operating activities:		
Net income	$ 25,828	$ 22,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets	57	507
Depreciation	21,827	24,840
Amortization of intangibles	1,396	2,476
Deferred income taxes, net of acquisitions	7,583	7,649
Amortization of debt issuance costs	454	484
Amortization of debt discount	1,101	1,171
Stock-based compensation	2,065	2,162
Interest income on restricted assets	(170)	(132)
Closure and post-closure accretion	333	352
Excess tax benefit associated with equity-based compensation	(1,101)	(115)
Net change in operating assets and liabilities, net of acquisitions	5,220	8,843
Net cash provided by operating activities	64,593	70,549
Cash flows from investing activities:		
Payments for acquisitions, net of cash acquired	(32,327)	(5,298)
Capital expenditures for property and equipment	(24,108)	(29,412)
Proceeds from disposal of assets	301	161
Increase in restricted assets, net of interest income	(621)	(1,506)
Decrease in other assets	96	166
Net cash used in investing activities	(56,659)	(35,889)
Cash flows from financing activities:		
Proceeds from long-term debt	80,500	75,000
Principal payments on notes payable and long-term debt	(57,487)	(44,372)
Change in book overdraft	(3,596)	4,115
Proceeds from option and warrant exercises	5,124	1,018
Excess tax benefit associated with equity-based compensation	1,101	115
Distributions to noncontrolling interests	(2,842)	—
Payments for repurchase of common stock	(31,527)	—
Debt issuance costs	—	(42)
Net cash (used in) provided by financing activities	(8,727)	35,834
Net (decrease) increase in cash and equivalents	(793)	70,494
Cash and equivalents at beginning of period	10,298	265,264
Cash and equivalents at end of period	$ 9,505	$ 335,758
Non-cash financing activity:		
Liabilities assumed and notes payable issued to sellers of businesses acquired	$ 4,978	$ 2,810

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

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

1. BASIS OF PRESENTATION AND SUMMARY

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries ("WCI" or the "Company") for the three month periods ended March 31, 2008 and 2009. In the opinion of management, the accompanying balance sheets and related interim statements of income, cash flows and equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with U.S. generally accepted accounting principles ("GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Examples include accounting for landfills, self-insurance, income taxes, allocation of acquisition purchase price and asset impairments. 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 Financial Accounting Standards Board ("FASB") Statement 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 condensed consolidated financial statements.

Interim results are not necessarily indicative of results for a full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the Company's 2008 Annual Report on Form 10-K.

Certain amounts reported in the Company's prior year's financial statements have been reclassified to conform with the 2009 presentation.

2. NEW ACCOUNTING STANDARDS

SFAS 141(R) and FSP FAS 141(R)-1. In December 2007, the FASB issued SFAS No. 141(R), Business Combinations ("SFAS 141(R)"). SFAS 141(R) 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) 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. The Company adopted SFAS 141(R) on January 1, 2009.

In April 2009, the FASB issued FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies ("FSP FAS 141(R)-1"). This pronouncement amends SFAS 141(R) to clarify the initial and subsequent recognition, subsequent accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP FAS 141(R)-1 requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, as determined in accordance with SFAS No. 157, Fair Value Measurements ("SFAS 157"), if the acquisition-date fair value can be reasonably estimated. If the acquisition-date fair value of an asset or liability cannot be reasonably estimated, the asset or liability would be measured at the amount that would be recognized in accordance with FASB Statement

No. 5, Accounting for Contingencies, and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss – an Interpretation of FASB Statement No. 5. FSP FAS 141(R)-1 became effective for the Company as of January 1, 2009, and the provisions of FSP FAS 141(R)-1 are applied prospectively to business combinations with an acquisition date on or after the date the guidance became effective. The adoption of FSP FAS 141(R)-1 did not have a material impact on the Company's financial position or results of operations.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

FSP 157-2 and FSP FAS 157-4. In February 2008, the FASB issued FASB Staff Position No. 157-2, Effective Date of FASB Statement No. 157 ("FSP 157-2"), which delayed the effective date of SFAS 157 for nonrecurring fair value measurements of assets and liabilities until January 1, 2009. The Company's assets and liabilities measured at fair value on a nonrecurring basis 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. The Company adopted SFAS 157 as it relates to these assets and liabilities on January 1, 2009. See Note 11 for further information on the Company's adoption of SFAS 157 for nonrecurring fair value measurements in periods subsequent to initial measurement.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("FSP FAS 157-4"), which provides additional guidance for applying the provisions of SFAS 157. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions. FSP FAS 157-4 requires an evaluation of whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. If there has, transactions or quoted prices may not be indicative of fair value and a significant adjustment may need to be made to those prices to estimate fair value. Additionally, an entity must consider whether the observed transaction was orderly (that is, not distressed or forced). If the transaction was orderly, the obtained price can be considered a relevant, observable input for determining fair value. If the transaction is not orderly, other valuation techniques must be used when estimating fair value. FSP FAS 157-4 must be applied prospectively for interim periods ending after June 15, 2009, and is not expected to have a material impact on the Company's results of operations, cash flows or financial position.

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 (formerly known as minority interest) and for the deconsolidation of a subsidiary. SFAS 160 requires that changes in a parent's ownership interest in a subsidiary be reported as an equity transaction in the consolidated financial statements when it does not result in a change in control of the subsidiary. When a change in a parent's ownership interest results in deconsolidation, a gain or loss should be recognized in the consolidated financial statements. 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, 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 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. The Company applied SFAS 160 prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which were applied retrospectively for all periods presented. As a result of adoption, the Company reflects its noncontrolling interests in consolidated subsidiaries as a separate line item in the equity section of the Company's Condensed Consolidated Balance Sheets. In the Company's 2008 Annual Report on Form 10-K, these noncontrolling interests were presented as minority interests outside of permanent equity in the Condensed Consolidated Balance Sheets. Additionally, the Company separately presents the net income attributable to noncontrolling interests in the Condensed Consolidated Statements of Income, resulting in an increase to consolidated Net income. In the Company's 2008 Annual Report on Form 10-K, the net income attributable to noncontrolling interests was presented as minority interest expense in the Condensed Consolidated Statements of Income. Under SFAS 160, amounts reported as Net income attributable to noncontrolling interests are now reported net of any applicable taxes. The Company's 2008 effective tax rate has been remeasured and reported in a manner consistent with the current measurement approach.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

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. The Company adopted SFAS 161 on January 1, 2009 (see Notes 9 and 12 for new disclosures).

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. The Company adopted FSP No. APB 14-1 on January 1, 2009, and the guidance has been applied retrospectively to all periods presented.

The adoption of FSP No. APB 14-1 did not affect the Company's total cash flows; however, it did impact the Company's results of operations by increasing interest expense associated with the Company's 3.75% Convertible Senior Notes due 2026 (the "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. As a result, the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Equity and Comprehensive Income and certain line items comprising the subtotal for Net cash provided by operating activities in the Company's Condensed Consolidated Statements of Cash Flows have been affected by the adoption of this pronouncement. For additional disclosures regarding the terms of the 2026 Notes and how this instrument has been reflected in the Company's Condensed Consolidated Financial Statements for the period ended March 31, 2009, see Note 5. The Company has elected not to apply the provisions of FSP No. APB 14-1 to its 2022 Floating Rate Convertible Subordinated Notes, which were issued in 2002. In April 2006, these notes became convertible and were called for redemption; therefore, these notes were not outstanding during any of the periods presented in the Company's condensed consolidated financial statements for the period ended March 31, 2009 or any financial statements that will be presented in the Company's Annual Report on Form 10-K for the year ending December 31, 2009.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

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 adopted FSP FAS 142-3 on January 1, 2009. The adoption of FSP FAS 142-3 did not have a material impact on the Company's financial position or results of operations.

FSP FAS 107-1 and APB 28-1. In April 2009, the FASB issued FSP FAS No. 107-1 and Accounting Principles Board (APB) 28-1, Interim Disclosures about Fair Value of Financial Instruments, which amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments ("SFAS No. 107") and APB Opinion No. 28, Interim Financial Reporting, respectively, to require disclosures about fair value of financial instruments in interim financial statements, in addition to the annual financial statements as already required by SFAS No. 107. FSP FAS 107-1 and APB 28-1 will be required for interim periods ending after June 15, 2009. As FSP FAS 107-1 and APB 28-1 provide only disclosure requirements, the application of this standard will not have a material impact on the Company's results of operations, cash flows or financial position.

FSP FAS 115-2 and FAS 124-2. In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments ("FSP FAS 115-2" and "FAS 124-2"), which amends SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. This standard establishes a different other-than-temporary impairment indicator for debt securities than previously prescribed. If it is more likely than not that an impaired security will be sold before the recovery of its cost basis, either due to the investor's intent to sell or because it will be required to sell the security, the entire impairment is recognized in earnings. Otherwise, only the portion of the impaired debt security related to estimated credit losses is recognized in earnings, while the remainder of the impairment is recorded in other comprehensive income. In addition, the standard expands the presentation and disclosure requirements for other-than-temporary-impairments for both debt and equity securities. FSP FAS 115-2 and FAS 124-2 must be applied prospectively for interim periods ending after June 15, 2009. The Company is currently assessing the impact that FSP FAS 115-2 and FAS 124-2 may have on its financial statements.

3. STOCK-BASED COMPENSATION

A summary of activity related to restricted stock and restricted stock units under the 2002 Restricted Stock Plan and the Second Amended and Restated 2004 Equity Incentive Plan (as amended and restated), as of December 31, 2008, and changes during the three month period ended March 31, 2009, is presented below:

	Unvested Shares
Outstanding at December 31, 2008	906,572

Granted	373,296
Forfeited	(9,557)
Vested	(248,162)
Outstanding at March 31, 2009	1,022,149

The weighted average grant date fair value per share for the 373,296 shares of common stock underlying the restricted stock units granted during the three month period ended March 31, 2009 was $26.29. During the three months ended March 31, 2008 and 2009, the Company's stock-based compensation expense from restricted stock and restricted stock units was $1,899 and $1,996, respectively.

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

4. LANDFILL ACCOUNTING

At March 31, 2009, the Company owned 27 landfills, and operated, but did not own, three landfills under life-of-site operating agreements and seven landfills under limited-term operating agreements. The Company's landfills had site costs with a net book value of $510,580 at March 31, 2009. With the exception of two owned landfills that only accept construction and demolition waste, all landfills that the Company owns or operates are municipal solid waste landfills. For the Company's seven landfills operated under limited-term operating agreements, the owner of the property (generally a municipality) usually owns the permit and is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities for the three landfills that it operates under life-of-site operating agreements.

The Company performs surveys at least annually to estimate the disposal capacity at its landfills. Many of the Company's existing landfills have the potential for expanded disposal capacity beyond the amount currently permitted. The Company's landfill depletion rates are based on the remaining disposal capacity, considering both permitted and probable expansion airspace at the landfills it owns, and landfills it operates, but does not own, under life-of-site agreements. 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 landfill depletion rates are based on the term of the operating agreement at its operated landfills that have capitalized expenditures.

Based on remaining permitted capacity as of March 31, 2009, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is approximately 48 years. The Company is currently seeking to expand permitted capacity at five of its owned landfills and one landfill that it operates under a life-of-site operating agreement, and considers the achievement of these expansions to be probable. Although the Company cannot be certain that all future expansions will be permitted as designed, the average remaining life, when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume, of the Company's owned landfills and landfills operated under life-of-site operating agreements is 52 years, with lives ranging from 3 to 185 years.

During the three months ended March 31, 2008 and 2009, the Company expensed approximately $5,287 and $5,484, respectively, or an average of $2.68 and $2.81 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

The Company reserves for final capping, closure and post-closure maintenance obligations at the landfills it owns and landfills it operates under life-of-site operating agreements. The Company calculates the net present value of its final capping, closure and post-closure commitments by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. Downward revisions (or if there are no changes) to the estimated undiscounted cash flows are inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company's capping, closure and post-closure liabilities being recorded in "layers." During the three months ended March 31, 2009, the Company increased its discount rate assumption for purposes of computing final capping, closure and post-closure obligations from 7.5% to 9.25%, in order to more accurately reflect the Company's long-term cost of borrowing as of the end of 2008. Consistent with the prior year, the Company used a 2.5% inflation rate. The resulting final capping, closure and post-closure obligation is recorded on the balance sheet as an addition to site costs and amortized to depletion expense as the landfill's airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the three months ended March 31, 2008 and 2009, the Company expensed approximately $333 and $352, respectively, or an average of $0.17 and $0.18 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

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The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2008 to March 31, 2009:

Final capping, closure and post-closure liability at December 31, 2008	$ 22,002
Adjustments to final capping, closure and post-closure liabilities	(1,407)
Liabilities incurred	394
Accretion expense	352
Closure payments	(136)
Final capping, closure and post-closure liability at March 31, 2009	$ 21,205

The Company recorded adjustments in its final capping, closure and post-closure liabilities due primarily to revisions in cost estimates and decreases in estimates of annual tonnage consumption across the majority of the Company's landfills, as well as an increase in estimated airspace at one of the Company's landfills at which 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 March 31, 2009, $22,346 of the Company's restricted assets balance was for purposes of settling future final capping, closure and post-closure liabilities.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2008	March 31, 2009
Revolver under Credit Facility, bearing interest ranging from 1.06% to 3.25%*	$ 400,000	$ 435,000
2026 Notes, bearing interest at 3.75%, net of discount of $10,930 and $9,759 as of December 31, 2008 and March 31, 2009, respectively	189,070	190,241
2015 Senior Notes, bearing interest at 6.22%	175,000	175,000
Tax-Exempt Bonds, bearing interest ranging from 0.45% to 7.25%*	53,960	53,435
Notes payable to sellers in connection with acquisitions, bearing interest at 5.5% to 10.35%*	4,888	3,990
Notes payable to third parties, bearing interest at 9.0% to 10.9%*	1,608	1,440
	824,526	859,106
Less – current portion	(4,698)	(3,901)
	$ 819,828	$ 855,205

* Interest rates in the table above represent the range of interest rates incurred during the three month period ended March 31, 2009.

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As discussed in Note 2, effective January 1, 2009, the Company adopted FSP No. APB 14-1 as it relates to the Company's accounting and disclosure for its 2026 Notes. Consistent with the transition guidance in FSP No. APB 14-1, the Company's adoption of this pronouncement is being treated as a change in accounting principle that is being applied retrospectively to all periods presented. The cumulative effect of the change in accounting principle on periods prior to those presented in the Company's Condensed Consolidated Financial Statements for the period ended March 31, 2009, has been reflected as an offsetting adjustment to the December 31, 2007, balances of Additional paid-in capital and Retained earnings in the Company's Condensed Consolidated Statements of Equity. A description of the prior-period information that has been retrospectively adjusted is provided below.

The 2026 Notes were issued in March 2006 and bear interest at a rate of 3.75% per annum on a total principal of $200,000. The 2026 Notes are convertible into cash and, if applicable, shares of the Company's 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 excess amount, if any, of its conversion obligation over the amount paid in cash. Based on the Company's share price at March 31, 2009, the "if-converted" value of the 2026 Notes does not exceed the principal amount of the notes.

The holders of the 2026 Notes who convert their notes in connection with a change in control may be entitled to a make-whole premium in the form of an increase in the conversion rate. 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.

Upon adoption of FSP No. APB 14-1, the Company first determined the carrying amount of the liability component of the 2026 Notes at their issuance date by measuring the fair value of a similar liability excluding the embedded conversion option. At the date of issuance of the 2026 Notes, the Company's borrowing rate for similar debt instruments with no conversion rights was estimated at 6.5% per annum. This borrowing rate was estimated to be representative of non-convertible debt with a maturity date of five years, which was considered appropriate given the April 1, 2011 put feature of the 2026 Notes, as previously discussed. Using a present value formula that incorporated a 6.5% annual discount rate over a five-year period with semi-annual interest coupon payment dates, the Company estimated the fair value of the hypothetical non-convertible debt to be $177,232. The Company then determined the carrying amount of the equity component of the 2026 Notes, represented by the embedded conversion option, by deducting the fair value of the liability component from the initial proceeds ascribed to the convertible debt instrument as a whole, which were equal to the $200,000 principal amount of the Notes. The resulting carrying amount of the equity component at the issuance date of the 2026 Notes was $22,768. This amount, net of the tax effect of $8,652, is reflected in the adjustment to the opening balance of Additional paid-in capital in the Company's Condensed Consolidated Statement of Equity.

In addition to computing the initial liability and equity components of the 2026 Notes upon adoption of FSP No. APB 14-1, the Company also computed the amount of direct transaction costs to be allocated between the liability and equity components of the 2026 Notes at the date of issuance. The Company allocated direct transaction costs, totaling $5,534, between the liability and equity components in an amount proportionate to the allocation of the proceeds of the 2026 Notes. This computation resulted in $4,904 and $630 being allocated to the liability and equity components of the 2026 Notes, respectively. The amount allocated to the equity component, net of the tax effect of $240, is reflected in the adjustment to the opening balance of Additional paid-in capital in the Company's Condensed Consolidated Statements of Equity.

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Subsequent to the initial measurement of the liability and equity components, and the related direct transaction costs, as of the issuance date of the 2026 Notes, the Company calculated an amortization schedule for the excess of the principal amount of the liability component over its carrying amount (the "debt discount"), using the interest method. The debt discount is being amortized over a five-year period 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. In addition, the Company calculated the adjusted debt issuance cost amortization on the portion of direct transaction costs allocated to the liability component, which is recognized as interest expense in the Company's Condensed Consolidated Statements of Income. The adjustment to the debt issuance cost amortization subsequent to adoption of FSP No. APB 14-1 relates to the portion of direct transaction costs allocated to the equity component. These costs were recognized as a reduction to the carrying value of the equity component, which is not amortized.

Amortization of the debt discount on the 2026 Notes, which is recognized as interest expense, from March 2006 to December 31, 2007, was calculated as $7,433. This amount, net of the tax effect of $2,825, is reflected in the adjustment to the opening balance of Retained earnings in the Company's Condensed Consolidated Statements of Equity. The reduction to previously reported debt issuance cost amortization, as a result of the direct transaction costs allocated to the equity component, from March 2006 to December 31, 2007, was calculated as $220. This amount, net of the tax effect of $83, is reflected in the adjustment to the opening balance of Retained earnings in the Company's Condensed Consolidated Statements of Equity.

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A summary of the financial statement line items that have been retrospectively adjusted as a result of the Company's adoption of FSP No. APB 14-1 is presented in the table below:

Condensed Consolidated Balance Sheet	December 31, 2008 Balance as Reported in the 2008 Annual Report on Form 10-K	Cumulative Retrospective Adjustment	December 31, 2008 Balance as Presented in the March 31, 2009 Quarterly Report on Form 10-Q
Other assets, net	$ 20,922	$ (283)	$ 20,639
Long-term debt and notes payable	$ 830,758	$ (10,930)	$ 819,828
Deferred income tax liabilities	$ 251,514	$ 4,045	$ 255,559
Additional paid-in capital	$ 647,829	$ 13,726	$ 661,555
Retained earnings	$ 630,037	$ (7,124)	$ 622,913

Condensed Consolidated Statement of Income	Balance for the Period Ended March 31, 2008, as Reported in the March 31, 2008 Quarterly Report on Form 10-Q	Retrospective Adjustment	Balance for the Period Ended March 31, 2008, as Presented in the March 31, 2009 Quarterly Report on Form 10-Q
Interest expense	$ 9,543	$ 1,069	$ 10,612
Income tax provision	$ 14,976	$ (406)	$ 14,570

Condensed Consolidated Statement of Cash Flows	Balance for the Period Ended March 31, 2008, as Reported in the March 31, 2008 Quarterly Report on Form 10-Q	Retrospective Adjustment	Balance for the Period Ended March 31, 2008, as Presented in the March 31, 2009 Quarterly Report on Form 10-Q
Deferred income taxes, net of acquisitions	$ 7,989	$ (406)	$ 7,583

Amortization of debt issuance costs	$ 486	$ (32)	$ 454
Amortization of debt discount	$ —	$ 1,101	$ 1,101

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For the financial statement line items adjusted as a result of the Company's adoption of FSP No. APB 14-1, the balances as of, or for the period ended, March 31, 2009, that would have been reported prior to the Company's adoption of FSP No. APB 14-1 are presented in the table below:

Condensed Consolidated Balance Sheet	March 31, 2009 Balance as Reported in the March 31, 2009 Quarterly Report on Form 10-Q	FSP No. APB 14-1 Adjustment	March 31, 2009 Balance Prior to Adoption of FSP No. APB 14-1
Other assets, net	$ 19,930	$ 251	$ 20,181
Long-term debt and notes payable	$ 855,205	$ 9,759	$ 864,964
Deferred income tax liabilities	$ 259,885	$ (3,612)	$ 256,273
Additional paid-in capital	$ 662,512	$ (13,726)	$ 648,786
Retained earnings	$ 644,891	$ 7,830	$ 652,721

Condensed Consolidated Statement of Income	Balance for the Period Ended March 31, 2009, as Reported in the March 31, 2009 Quarterly Report on Form 10-Q	FSP No. APB 14-1 Adjustment	Balance for the Period Ended March 31, 2009 Prior to Adoption of FSP No. APB 14-1
Interest expense	$ 12,249	$ (1,139)	$ 11,110
Income tax provision	$ 14,103	$ 433	$ 14,536

Condensed Consolidated Statement of Cash Flows	Balance for the Period Ended March 31, 2009, as Reported in the March 31, 2009 Quarterly Report on Form 10-Q	FSP No. APB 14-1 Adjustment	Balance for the Period Ended March 31, 2009 Prior to Adoption of FSP No. APB 14-1
Deferred income taxes, net of acquisitions	$ 7,649	$ 433	$ 8,082
Amortization of debt issuance costs	$ 484	$ 32	$ 516

Amortization of debt discount	$ 1,171	$ (1,171)	$ —

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The effect of the above retrospective adjustments on the Company's operating income, net income and per-share amounts for the period ended March 31, 2008, is presented in the table below:

	Operating Income	Net Income	Basic Earnings per Share Attributable to Waste Connections' Common Stockholders	Diluted Earnings per Share Attributable to Waste Connections' Common Stockholders
Amount as reported for the period ended March 31, 2008, in the Company's March 31, 2008 Quarterly Report on Form 10-Q	$ 50,798	$ 26,491	$ 0.35	$ 0.34
Impact of incremental interest expense (net of tax) recognized during the period ended March 31, 2008, as a result of adoption of FSP No. APB 14-1	—	(663)	(0.01)	(0.01)
Amount as presented for the period ended March 31, 2008, in the Company's March 31, 2009 Report on Form 10-Q	$ 50,798	$ 25,828	$ 0.34	$ 0.33

For the three month periods ended March 31, 2008 and 2009, the total interest expense recognized by the Company relating to both the contractual interest coupon and amortization of the non-cash debt discount on the 2026 Notes was $2,976 ($1,845, net of taxes) and $3,046 ($1,889, net of taxes), respectively. The portion of total interest expense related to the contractual interest coupon on the 2026 Notes during each of the periods ended March 31, 2008 and 2009 was $1,875 ($1,163, net of taxes). The portion of total interest expense related to amortizing the non-cash debt discount during the periods ended March 31, 2008 and 2009 was $1,101 ($683, net of taxes) and $1,171 ($726, net of taxes), respectively. The effective interest rate on the liability component for each of the periods ended March 31, 2008 and 2009 was 6.4%. As of March 31, 2009, the Company has eight quarterly periods remaining over which the debt discount will be amortized.

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A summary of the effect of the Company's adoption of FSP No. APB 14-1 on the Company's operating income, net income, and per-share amounts for the period ended March 31, 2009, is presented in the table below:

	Operating Income	Net Income	Basic Earnings per Share Attributable to Waste Connections' Common Stockholders	Diluted Earnings per Share Attributable to Waste Connections' Common Stockholders
Amount as reported for the period ended March 31, 2009, in the Company's March 31, 2009 Quarterly Report on Form 10-Q	$ 47,634	$ 22,312	$ 0.27	$ 0.27
Impact of incremental interest expense (net of tax) recognized during the period ended March 31, 2009, as a result of adoption of FSP No. APB 14-1	—	706	0.01	0.01
Amount that would have been reported for the period ended March 31, 2009, prior to adoption of FSP No. APB 14-1	$ 47,634	$ 23,018	$ 0.28	$ 0.28

The following table presents information regarding the values at which the following items are carried in the Company's December 31, 2008 and March 31, 2009 Condensed Consolidated Balance Sheets:

	December 31, 2008	March 31, 2009
Carrying amount of equity component	$ 13,726	$ 13,726
Principal amount of liability component	$ 200,000	$ 200,000
Unamortized discount on liability component	(10,930)	(9,759)
Net carrying amount of liability component	$ 189,070	$ 190,241

At March 31, 2009, the 2026 Notes did not meet any of the conditions for conversion. Under FSP No. APB 14-1, upon conversion of the 2026 Notes, the Company will be required to allocate the fair value of the consideration transferred and any transaction costs incurred between the equity and liability components. This will be 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, will be recorded in earnings.

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6. ACQUISITIONS

As disclosed in Note 2, the Company has adopted SFAS 141(R) for all business combinations for which the acquisition date is on or after January 1, 2009. Assets and liabilities that arose from business combinations whose acquisition date preceded the application of SFAS 141(R) were not adjusted upon application of the new standard.

For all acquisitions completed prior to the Company's adoption of SFAS 141(R), the acquisition purchase prices were 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. Purchase price allocations were considered preliminary until the Company was no longer waiting for information that it arranged to obtain and that was known to be available or obtainable. Although the time required to obtain the necessary information varied with circumstances specific to an individual acquisition, the "allocation period" for finalizing purchase price allocations did not exceed one year from the consummation of a business combination. Any adjustments made during the allocation period were recorded prospectively as an adjustment to the acquired goodwill from the business combination. As of March 31, 2009, the Company had nine acquisitions that were completed prior to the Company's adoption of SFAS 141(R), for which purchase price allocations were preliminary as a result of pending working capital valuations. The Company does not believe that the potential changes to its preliminary purchase price allocations related to acquisitions completed prior to January 1, 2009, which will be recognized as an adjustment to goodwill during the remaining periods in the year ending December 31, 2009, will have a material impact on its financial condition, including its reported goodwill. The Company expects the working capital valuations for these acquisitions to be completed during the quarter ended June 30, 2009.

For all acquisitions completed under SFAS 141(R), as of the respective acquisition dates, the Company recognizes, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition-date fair values. The Company measures and recognizes goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition-date fair value of the Company's previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, the Company will report provisional amounts for the items for which the accounting is incomplete. The measurement period ends once the Company receives the information it was seeking; however, this period will not exceed one year from the acquisition date. Any adjustments recognized during the measurement period will be reflected retrospectively in the consolidated financial statements of the subsequent period.

During the three months ended March 31, 2008, the Company acquired five individually immaterial non-hazardous solid waste collection, transfer, disposal and recycling businesses. During the three months ended March 31, 2009, the Company acquired one individually immaterial non-hazardous solid waste recycling business. The results of operations of the acquired businesses have been included in the Company's consolidated financial statements from their respective acquisition dates. The acquisitions completed during the three months ended March 31, 2008 and 2009, 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.

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The following table summarizes the consideration transferred to acquire these businesses and the amounts of identified assets acquired and liabilities assumed at the acquisition date for acquisitions consummated in the three months ended March 31, 2008 and 2009:

	2008 Acquisitions	2009 Acquisition
Fair value of consideration transferred:		
Cash	$ 31,988	$ 2,413
Debt assumed	2,140	2,781
Common stock warrants	30	—
	34,158	5,194
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	1,309	—
Other current assets	272	153
Property and equipment	4,721	2,606
Long-term franchise agreements and contracts	15,915	100
Other intangibles	869	91
Non-competition agreements	30	—
Accounts payable	(49)	(19)
Accrued liabilities	(1,728)	—
Deferred revenue	(582)	(10)
Deferred income taxes	(479)	—
Total identifiable net assets	20,278	2,921
Goodwill	$ 13,880	$ 2,273

The goodwill is attributable to the synergies expected to arise after the Company's acquisition of these businesses. Substantially all of the goodwill from these acquisitions is expected to be deductible for tax purposes.

The fair value of acquired working capital related to the acquisition completed during the three months ended March 31, 2009 is provisional pending information from the acquiree to support the fair value of the assets acquired and liabilities assumed.

The gross amount of trade receivables due under contracts acquired during the period ended March 31, 2008 is $1,719, of which $410 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of these businesses.

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A reconciliation of the Fair value of consideration transferred, as disclosed in the table above, to Payments for acquisitions, net of cash acquired, as reported in the Condensed Consolidated Statements of Cash Flows for the periods ended March 31, 2008 and 2009, is as follows:

	2008 Acquisitions	2009 Acquisition
Cash consideration transferred	$ 31,988	$ 2,413
Payment of contingent consideration	—	2,000
Payment of acquisition-related liabilities	339	885
Payments for acquisitions, net of cash acquired	$ 32,327	$ 5,298

The $2,000 of contingent consideration paid during the three months ended March 31, 2009 represented additional purchase price for an acquisition closed in 2007. Acquisition-related liabilities are liabilities paid in the year shown above that were accrued for in a previous year.

In 2009, the Company incurred $1,263 of third-party acquisition-related costs. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Income for the period ended March 31, 2009.

In April 2009, the Company completed the acquisition of 100% interests in certain operations from Republic Services, Inc. ("Republic") and some of its subsidiaries and affiliates. The operations were divested as a result of Republic's recent merger with Allied Waste Industries, Inc. The operations acquired include six municipal solid waste landfills, three collection operations and two transfer stations across six markets: Southern California; Northern California; Denver, CO; Houston, TX; Greenville/Spartanburg, SC; and Flint, MI. The Company paid $310,700 in existing cash for the purchased operations, exclusive of amounts paid for the purchase of accounts receivable and other prepaid assets and estimated working capital, which amounts are subject to post-closing adjustments. No other consideration, including contingent consideration, was transferred by the Company to acquire these operations. The Company expects these acquired businesses to contribute towards the achievement of the Company's growth strategy of expansion through acquisitions. Other required disclosures regarding information about the financial effects of these business combinations cannot be made in this Quarterly Report on Form 10-Q, as the Company has not completed the process of identifying, measuring and recognizing the identifiable assets acquired and liabilities assumed in these acquisitions, including assets and liabilities arising from contingencies.

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7. INTANGIBLE ASSETS

Intangible assets, exclusive of goodwill, consist of the following at March 31, 2009:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 179,446	$ (14,252)	$ 165,194
Non-competition agreements	9,751	(5,312)	4,439
Other	26,036	(8,007)	18,029
	215,233	(27,571)	187,662
Nonamortized intangible assets:			
Indefinite-lived intangible assets	116,160	—	116,160
Intangible assets, exclusive of goodwill	$ 331,393	$ (27,571)	$ 303,822

The weighted-average amortization periods of long-term franchise agreements and contracts and other intangibles acquired during the three months ended March 31, 2009 are 14.5 years and 0.8 years, respectively. There were no non-compete agreements acquired in the three months ended March 31, 2009.

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

For the year ended December 31, 2009	$ 9,852
For the year ended December 31, 2010	$ 9,765
For the year ended December 31, 2011	$ 9,608
For the year ended December 31, 2012	$ 9,458
For the year ended December 31, 2013	$ 8,040

8. SEGMENT REPORTING

The Company's revenues are derived from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. No single contract or customer accounted for more than 10% of the Company's total revenues at the consolidated or segment level during the periods presented.

The Company manages its operations through three geographic operating segments (Western, Central and Southern) which, commencing in 2009, are also the Company's reportable segments. Prior to 2009, the Company aggregated its geographic operating segments into one reportable segment. Each segment is responsible for managing several vertically integrated operations, which are comprised of districts.

The Company has presented prior period segment results to reflect the realignment of its organizational structure in the second quarter of 2008, which reduced the number of its geographic operating segments from four to three.

The Company's Chief Operating Decision Maker ("CODM") evaluates operating segment profitability and determines resource allocations based on operating income before depreciation, amortization and gain (loss) on disposal of assets. Operating income before depreciation, amortization and gain (loss) on disposal of assets is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. The Company's management uses operating income before depreciation, amortization and gain (loss) on disposal of assets in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments.

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Summarized financial information concerning the Company's reportable segments for the three months ended March 31, 2008 and 2009 is shown in the following tables:

2008	Gross Revenues	Intercompany Revenues(b)	Net Revenue	Operating Income Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets(c)	Total Assets(d), (e)
Western	$ 134,194	$ (12,674)	$ 121,520	$ 36,710	$ 745,096
Central	78,855	(8,848)	70,007	20,693	595,366
Southern	69,230	(10,457)	58,773	18,384	583,938
Corporate(a)	—	—	—	(1,709)	78,585
	$ 282,279	$ (31,979)	$ 250,300	$ 74,078	$ 2,002,985

2009	Gross Revenues	Intercompany Revenues(b)	Net Revenue	Operating Income Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets(c)	Total Assets(d), (e)
Western	$ 157,687	$ (19,425)	$ 138,262	$ 39,333	$ 1,080,379
Central	75,227	(7,658)	67,569	21,431	613,156
Southern	67,057	(10,213)	56,844	19,204	596,457
Corporate(a)	—	—	—	(4,511)	379,172
	$ 299,971	$ (37,296)	$ 262,675	$ 75,457	$ 2,669,164

(a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other typical administrative functions.

(b) Intercompany revenues reflect each segment's total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.

(c) For those items included in the determination of operating income before depreciation, amortization and gain (loss) from disposal of assets, the accounting policies of the segments are the same as those described in the Company's most recent Annual Report on Form 10-K.

(d) Goodwill is included within total assets for each of the Company's three geographic operating segments. During the second quarter of 2008, the Company realigned its organizational structure, which reduced the number of its geographic operating segments from four to three. This realignment resulted in the reallocation of goodwill among its segments. The following tables show changes in goodwill during the three months ended March 31, 2008 and 2009, by reportable segment:

	Western	Central	Southern	Total
Balance as of December 31, 2007				
Goodwill	$ 257,915	$ 301,027	$ 252,107	$ 811,049
Accumulated impairment losses	—	—	—	—
	257,915	301,027	252,107	811,049
Goodwill acquired during the three months ended March 31, 2008	8,694	5,138	48	13,880
Balance as of March 31, 2008				
Goodwill	266,609	306,165	252,155	824,929
Accumulated impairment losses	—	—	—	—
	$ 266,609	$ 306,165	$ 252,155	$ 824,929

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

	Western	Central	Southern	Total
Balance as of December 31, 2008				
Goodwill	$ 257,560	$ 313,145	$ 266,225	$ 836,930
Accumulated impairment losses	—	—	—	—