

WASTE CONNECTIONS, INC.

Form 10-K

February 09, 2011

**Table of Contents**

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

(Mark One)

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

**For the fiscal year ended December 31, 2010**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 1-31507  
WASTE CONNECTIONS, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

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

2295 Iron Point Road  
Suite 200  
Folsom, California  
(Address of principal executive offices)

95630  
(Zip Code)

(916) 608-8200

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$0.01 per share  
(Title of each class)

New York Stock Exchange  
(Name of each exchange on which registered)

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

Yes  No

Indicate by check mark 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

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

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

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

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

Yes       No

As of June 30, 2010, the aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, based on the closing sales price for the registrant's common stock, as reported on the New York Stock Exchange, was \$2,682,761,147.

Number of shares of common stock outstanding as of January 21, 2011: 113,950,429

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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

<b>Item No.</b>	<b>Page</b>
<b><u>PART I</u></b>	
<u>1. BUSINESS</u>	1
<u>1A. RISK FACTORS</u>	15
<u>1B. UNRESOLVED STAFF COMMENTS</u>	23
<u>2. PROPERTIES</u>	23
<u>3. LEGAL PROCEEDINGS</u>	23
<u>4. [Removed and Reserved]</u>	23
<b><u>PART II</u></b>	
<u>5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	24
<u>6. SELECTED FINANCIAL DATA</u>	26
<u>7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	28
<u>7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	48
<u>8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	51
<u>9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	97
<u>9A. CONTROLS AND PROCEDURES</u>	97
<u>9B. OTHER INFORMATION</u>	97
<b><u>PART III</u></b>	
<u>10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	98
<u>11. EXECUTIVE COMPENSATION</u>	98
<u>12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	98

<u>13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	98
<u>14. PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	98
<u>PART IV</u>	
<u>15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	99
<u>SIGNATURES</u>	100
<u>SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS</u>	101
<u>EXHIBIT INDEX</u>	102
<u>Exhibit 10.28</u>	
<u>Exhibit 10.29</u>	
<u>Exhibit 10.30</u>	
<u>Exhibit 12.1</u>	
<u>Exhibit 21.1</u>	
<u>Exhibit 23.1</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

**Table of Contents**

**PART I**

**ITEM 1. BUSINESS**

**Our Company**

Waste Connections, Inc. is an integrated solid waste services company that provides solid waste collection, transfer, disposal and recycling services in mostly secondary markets in the Western and Southern U.S. We also provide intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of seven intermodal facilities. As of December 31, 2010, we serve approximately two million residential, commercial and industrial customers from a network of operations in 27 states: Alabama, Arizona, California, Colorado, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington and Wyoming. As of December 31, 2010, we owned or operated a network of 135 solid waste collection operations, 54 transfer stations, seven intermodal facilities, 39 recycling operations, 44 active landfills, and one exploration and production waste treatment and disposal facility.

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

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

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

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

**Our Operating Strategy**

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

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

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

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

candidates.

## **Table of Contents**

We currently deliver our services from approximately 172 operating locations grouped into three regions: our Western Region is comprised of operating locations in California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Central Region is comprised of operating locations in Colorado, Kansas, Michigan, Minnesota, Nebraska, Oklahoma, South Dakota, Utah and eastern Wyoming; and our Southern Region is comprised of operating locations in Alabama, Arizona, Illinois, Iowa, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, South Carolina, Tennessee and Texas. We manage and evaluate our business on the basis of the regions' geographic characteristics, interstate waste flow, revenue base, employee base, regulatory structure and acquisition opportunities. Each region has a regional vice president and a regional controller, reporting directly to our corporate management. These regional officers are responsible for operations and accounting in their regions and supervise their regional staff. See Note 14 to the consolidated financial statements for further information on our segment reporting of our operations.

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

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

### **Our Growth Strategy**

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

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

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

**Generate Internal Growth.** To generate internal revenue growth, our district management and sales and marketing personnel focus on increasing market penetration in our current and adjacent markets, soliciting new residential, commercial and industrial customers in markets where such customers have the option to choose a particular waste collection service and marketing upgraded or additional services (such as compaction or automated collection) to



existing customers. We also focus on raising prices and instituting surcharges, when appropriate, to offset cost increases. Where possible, we intend to leverage our franchise-based platforms to expand our customer base beyond our exclusive market territories. As customers are added in existing markets, our revenue per routed truck increases, which generally increases our collection efficiencies and profitability. In markets in which we have exclusive contracts, franchises and certificates, we expect internal volume growth generally to track population and business growth.

## **Table of Contents**

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

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

The U.S. solid waste services industry experienced significant consolidation during the 1990s. The consolidation trend has continued, most notably with the merger between Republic Services, Inc. and Allied Waste Industries, Inc. in 2008 and the merger between IESI-BFC Ltd. and Waste Services, Inc. in 2010. The solid waste services industry remains regional in nature with acquisition opportunities available in selected markets. Some of the remaining independent landfill and collection operators lack the capital resources, management skills and/or technical expertise necessary to comply with stringent environmental and other governmental regulations and compete with larger, more efficient, integrated operators. In addition, many of the remaining independent operators may wish to sell their businesses to achieve liquidity in their personal finances or as part of their estate planning. Due to the prevalence of exclusive arrangements, we believe the Western markets contain the largest and most attractive number of acquisition opportunities.

During 2009, we completed the acquisition of 100% interests in certain operations from Republic Services, Inc. and some of its subsidiaries and affiliates ( Republic ) for an aggregate purchase price of \$377.1 million. The operations were divested as a result of Republic's merger with Allied Waste Industries, Inc. During the year ended December 31, 2009, we completed six other acquisitions, none of which individually or in the aggregate accounted for greater than 10% of our total assets. During the year ended December 31, 2010, we completed 19 acquisitions, none of which individually or in the aggregate accounted for greater than 10% of our total assets.

### **SOLID WASTE SERVICES**

#### **Residential, Commercial and Industrial Collection Services**

We serve approximately two million residential, commercial and industrial customers from operations in 27 states. Our services are generally provided under one of the following arrangements: (1) governmental certificates; (2) exclusive franchise agreements; (3) exclusive municipal contracts; (4) residential subscriptions; (5) residential contracts; or (6) commercial and industrial service agreements.

Governmental certificates, exclusive franchise agreements and exclusive municipal contracts grant us rights to provide services within specified areas at established rates. Governmental certificates, or G Certificates, are unique to the State of Washington. The Washington Utilities and Transportation Commission, or the WUTC, awards G Certificates to solid waste collection service providers in unincorporated areas and electing municipalities. These certificates typically grant the holder the exclusive and perpetual right to provide specific residential, commercial and/or industrial waste services in a defined territory at specified rates subject to divestiture and/or cancellation by the WUTC on specified, limited grounds. Franchise agreements typically provide an exclusive period of seven years or longer for a specified territory. These arrangements specify a broad range of services to be provided, establish rates for the services and often give the service provider a right of first refusal to extend the term of the agreement. Municipal contracts typically provide a shorter service period and a more limited scope of services than franchise agreements and

generally require competitive bidding at the end of the contract term. We do not expect that the loss of any current contracts in negotiation for renewal or contracts likely to terminate in 2011 will have a material adverse effect on our revenues or cash flows. No single contract or customer accounted for more than 10% of our total revenues at the consolidated or reportable segment level for the years ended December 31, 2008, 2009 and 2010.

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

**Table of Contents**

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

**Landfill Disposal Services**

We generally own solid waste landfills to achieve vertical integration in markets where the economic and regulatory environments make landfill ownership attractive. We also own landfills in certain markets where we do not provide collection services because we believe that the waste volume generated in these markets makes landfill ownership attractive. Where our operations are vertically integrated, we eliminate third-party disposal costs and generally realize higher margins and stronger operating cash flows. The fees charged at disposal facilities, which are known as tipping fees, are based on market factors and take into account the type and weight or volume of solid waste deposited and the type and size of the vehicles used to transport waste. Solid waste landfills over time generate a greenhouse gas, methane, which can be converted into a valuable source of clean energy. We deploy gas recovery systems to collect methane, which can then be used to generate electricity for local households, fuel local industrial power plants, power alternative fueled vehicles, or qualify for carbon emission credits.

Our landfill facilities consisted of the following at December 31, 2010:

Owned and operated landfills	35
Operated landfills under limited-term operating agreements	5
Operated landfills under life-of-site agreements	4
	44

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

Under landfill operating agreements, the owner of the property, generally a municipality, usually owns the permit and we operate the landfill for a contracted term, which may be the life of the landfill. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. We are responsible for all final capping, closure and post-closure obligations at three of our four operated landfills for which we have life-of-site agreements. Four of our five operating contracts for which the contracted term is less than the life of the landfill have expiration dates from 2013 to 2018, with the remaining contract operated on a month-to-month basis. For all other operated landfills under limited-term operating agreements, we intend to seek renewal of these contracts prior to, or upon, their expiration.

Based on remaining permitted capacity as of December 31, 2010, and projected annual disposal volumes, the average remaining landfill life for our owned and operated landfills and landfills operated, but not owned, under life-of-site agreements, is estimated to be approximately 40 years. Many of our existing landfills have the potential for expanded disposal capacity beyond the amount currently permitted. We regularly consider whether it is advisable, in light of changing market conditions and/or regulatory requirements, to seek to expand or change the permitted waste streams or to seek other permit modifications. We also monitor the available permitted in-place disposal capacity of our landfills on an ongoing basis and evaluate whether to seek capacity expansion. In making this evaluation, we consider

various factors, including the following:

whether the land where the expansion is being sought is contiguous to the current disposal site, and we either own the expansion property or have rights to it under an option, purchase, operating or other similar agreement;

whether total development costs, final capping costs, and closure/post-closure costs have been determined;

**Table of Contents**

whether internal personnel have performed a financial analysis of the proposed expansion site and have determined that it has a positive financial and operational impact;  
 whether internal personnel or external consultants are actively working to obtain the necessary approvals to obtain the landfill expansion permit; and  
 whether we consider it probable that we will achieve the expansion (for a pursued expansion to be considered probable, there must be no significant known technical, legal, community, business or political restrictions or similar issues existing that we believe are more likely than not to impair the success of the expansion).

We are currently seeking to expand permitted capacity at eight of our landfills for which we consider expansions to be probable. Although we cannot be certain that all future expansions will be permitted as designed, the average remaining landfill life for our owned and operated landfills and landfills operated, but not owned, under life-of-site agreements is estimated to be approximately 50 years when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume.

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

	2009			2010		
	Permitted	Probable Expansion	Total	Permitted	Probable Expansion	Total
Balance, beginning of year	402,446	36,858	439,304	526,088	119,227	645,315
Acquired landfills	132,892	82,703	215,595	21,710		21,710
Permits granted				5,426	(5,426)	
Airspace consumed	(11,005)		(11,005)	(13,255)		(13,255)
Pursued expansions						
Changes in engineering estimates	1,755	(334)	1,421	(8,064)	19,523	11,459
Balance, end of year	526,088	119,227	645,315	531,905	133,324	665,229

The estimated remaining operating lives for the landfills we own and landfills we operate under life-of-site agreements, based on remaining permitted and probable expansion capacity and projected annual disposal volume, in years, as of December 31, 2009, and December 31, 2010, are shown in the tables below. The estimated remaining operating lives include assumptions that the operating permits are renewed.

	2009						
	0 to 5	6 to 10	11 to 20	21 to 40	41 to 50	51+	Total
Owned and operated landfills	1	1	5	8	4	15	34
Operated landfills under life-of-site agreements				3	1		4
	1	1	5	11	5	15	38
	2010						
	0 to 5	6 to 10	11 to 20	21 to 40	41 to 50	51+	Total
Owned and operated landfills	2	1	4	7	3	18	35
				3		1	4

Operated landfills under  
life-of-site agreements

2 1 4 10 3 19 39

5

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**Table of Contents**

The disposal tonnage that we received in 2009 and 2010 at all of our landfills is shown in the tables below (tons in thousands):

	Three months ended								Twelve months ended December 31, 2009
	March 31, 2009		June 30, 2009		September 30, 2009		December 31, 2009		
	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	
Owned landfills and landfills operated under life-of-site agreements	31	1,974	38	2,978	38	3,044	38	3,009	11,005
Operated landfills	6	183	6	195	6	139	5	125	642
	37	2,157	44	3,173	44	3,183	43	3,134	11,647

	Three months ended								Twelve months ended December 31, 2010
	March 31, 2010		June 30, 2010		September 30, 2010		December 31, 2010		
	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	Number of Sites	Total Tons	
Owned landfills and landfills operated under life-of-site agreements	38	2,853	38	3,324	39	3,775	39	3,303	13,255
Operated landfills	5	122	5	137	5	136	5	128	523
	43	2,975	43	3,461	44	3,911	44	3,431	13,778

In 2010, we renewed an operating agreement at one of our landfills which resulted in a term equal to the remaining life of the site. As a result, this landfill previously classified as operated is currently operated under a life-of-site agreement. We have restated all information above to reflect this.

**Transfer Station Services**

We have an active program to acquire, develop, own and operate transfer stations in markets proximate to our collection operations. Transfer stations receive, compact and load solid waste to be transported to landfills via truck, rail or barge. Transfer stations extend our direct-haul reach and link collection operations with distant disposal facilities. We owned or operated 54 transfer stations at December 31, 2010. Currently, we own transfer stations in California, Colorado, Kansas, Kentucky, Montana, Nebraska, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas and Washington. In addition, we operate, but do not own, transfer stations in Idaho, Kentucky, Nebraska, Tennessee, Washington and Wyoming. We believe that transfer stations benefit us by:

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

**Recycling Services**



We offer residential, commercial, industrial and municipal customers recycling services for a variety of recyclable materials, including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. In addition, we have partnered with RecycleBank to introduce a customer loyalty and rewards program in certain markets to encourage customers to either recycle for the first time or increase their current recycling efforts. We own or operate 39 recycling processing operations and sell other collected recyclable materials to third parties for processing before resale. The majority of the recyclables we process for sale are paper products and are shipped to customers in Asia. Changes in end market demand can cause fluctuations in the prices for such commodities, which can affect revenue, operating income and cash flows. Certain of our municipal recycling contracts in Washington specify certain benchmark resale prices for recycled commodities. To the extent the prices we actually receive for the processed recycled commodities collected under those contracts exceed the prices specified in the contracts, we share the excess with the municipality, after recovering any previous shortfalls resulting from actual market prices falling below the prices specified in the contracts. To reduce our exposure to commodity price volatility and risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. We believe that recycling will continue to be an important component of local and state solid waste management plans due to the public's increasing environmental awareness and expanding regulations that mandate or encourage recycling.

**Table of Contents**

**EXPLORATION AND PRODUCTION WASTE TREATMENT AND DISPOSAL SERVICES**

We treat and dispose of non-hazardous waste that is generated in the exploration and production, or E&P, of oil and natural gas primarily at a facility in Southwest Louisiana. E&P waste streams accepted at this permitted location include: saltwater, which is injected into on-site disposal wells; recovered hydrocarbons, which are sold for re-use; and soil, which is treated to remove hydrocarbons, salts, dissolved solids and heavy metals and then tested to ensure regulatory compliance. In addition, this facility accepts non-hazardous industrial wastes from local refineries and petrochemical plants. We also accept E&P waste soils and other hydrocarbon-contaminated soils at our solid waste landfills.

**INTERMODAL SERVICES**

Intermodal logistics is the movement of containers using two or more modes of transportation, usually including a rail or truck segment. We entered the intermodal services business in the Pacific Northwest through the acquisition of Northwest Container Services, Inc., which provides repositioning, storage, maintenance and repair of cargo containers for international shipping companies. We provide these services for containerized cargo primarily to international shipping companies importing and exporting goods through the Pacific Northwest. We also operate two intermodal facilities primarily for the shipment of waste by rail to distant disposal facilities that we do not own. As of December 31, 2010, we owned or operated seven intermodal operations in Washington and Oregon. Our fleet of double-stack railcars provides dedicated direct-line haul services among terminals in Portland, Tacoma and Seattle. We have contracts with the Burlington Northern Santa Fe and Union Pacific railroads for the movement of containers among our seven intermodal operations. We also provide our customers container and chassis sales and leasing services.

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

**COMPETITION**

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

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

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

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

**Table of Contents**

**REGULATION**

**Introduction**

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

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

The Resource Conservation and Recovery Act of 1976, or RCRA

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

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

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

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

The Clean Water Act regulates the discharge of pollutants from a variety of sources, including solid waste disposal sites and transfer stations, into waters of the United States. If run-off from our owned or operated transfer stations or

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

## **Table of Contents**

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, or CERCLA established a regulatory and remedial program intended to provide for the investigation and cleanup of facilities where or from which a release of any hazardous substance into the environment has occurred or is threatened. CERCLA's primary mechanism for remedying such problems is to impose strict joint and several liability for cleanup of facilities on current owners and operators of the site, former owners and operators of the site at the time of the disposal of the hazardous substances, any person who arranges for the transportation, disposal or treatment of the hazardous substances, and the transporters who select the disposal and treatment facilities, regardless of the care exercised by such persons. CERCLA also imposes liability for the cost of evaluating and remedying any damage to natural resources. The costs of CERCLA investigation and cleanup can be very substantial. Liability under CERCLA does not depend on the existence or disposal of hazardous waste as defined by RCRA; it can also be based on the release of even very small amounts of the more than 700 hazardous substances listed by the EPA, many of which can be found in household waste. In addition, the definition of hazardous substances in CERCLA incorporates substances designated as hazardous or toxic under the federal Clean Water Act, Clean Air Act and Toxic Substances Control Act. If we were found to be a responsible party for a CERCLA cleanup, the enforcing agency could hold us, or any other generator, transporter or the owner or operator of the contaminated facility, responsible for all investigative and remedial costs, even if others were also liable. CERCLA also authorizes the imposition of a lien in favor of the United States on all real property subject to, or affected by, a remedial action for all costs for which a party is liable. Subject to certain procedural restrictions, CERCLA gives a responsible party the right to bring a contribution action against other responsible parties for their allocable shares of investigative and remedial costs. Our ability to obtain reimbursement from others for their allocable shares of such costs would be limited by our ability to find other responsible parties and prove the extent of their responsibility, their financial resources, and other procedural requirements. Various state laws also impose strict joint and several liability for investigation, cleanup and other damages associated with hazardous substance releases.

### **The Clean Air Act**

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

### **Climate Change Laws and Regulations**

On September 27, 2006, California enacted AB 32, the Global Warming Solutions Act of 2006, which established the first statewide program in the United States to limit greenhouse gas, or GHG, emissions and impose penalties for non-compliance. Because landfill and collection operations emit GHGs, our operations in California are subject to regulations issued under AB 32. The California Air Resources Board, or CARB, has taken, and plans to take, various actions to implement AB 32, including the approval in December 2008 of an AB 32 Scoping Plan summarizing the main GHG-reduction strategies for California. CARB approved a landfill methane control measure, which became effective in June 2010, and approved in December 2010 a GHG cap-and-trade program, which is scheduled to take effect in 2012.

State climate change laws could also affect our non-California operations. For example, the Western Climate Initiative, which currently includes seven states and four Canadian provinces, has developed GHG reduction strategies, among them a GHG cap-and-trade program.

The EPA's regulations under the Clean Air Act, or CAA, may also impact our operations. In 2009, the EPA made an endangerment finding allowing GHGs to be regulated under the CAA. The CAA requires stationary sources of air pollution to obtain New Source Review, or NSR, permits prior to construction and, in some cases, Title V operating permits. Pursuant to the EPA's rulemakings and interpretations, certain Title V and NSR Prevention of Significant

Deterioration, or PSD, permits issued on or after January 2, 2011, must address GHG emissions. As a result, new or modified landfills may be required to install Best Available Control Technology to limit GHG emissions. The EPA may in the future promulgate CAA New Source Performance Standards applicable to landfills.

## **Table of Contents**

These statutes and regulations increase the costs of our operations, and future climate change statutes and regulations may have an impact as well. If we are unable to pass such higher costs through to our customers, our business, financial condition and operating results could be adversely affected.

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

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

Flow Control/Interstate Waste Restrictions

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

State and Local Regulations

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

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

Various jurisdictions have enacted fitness regulations which allow agencies with authority over waste service contracts or permits to deny or revoke such contracts or permits based on the compliance history of the provider. Some jurisdictions also consider the compliance history of the parent, subsidiaries, or affiliated companies of the provider in making these decisions.

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

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



and disposal in landfills could prevent us from operating our facilities at their full capacity.

## **Table of Contents**

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

### **Public Utility Regulation**

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

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

## **RISK MANAGEMENT, INSURANCE AND FINANCIAL SURETY BONDS**

### **Risk Management**

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

### **Insurance**

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

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

**Table of Contents**

**Financial Surety Bonds**

We use financial surety bonds for a variety of corporate guarantees. The financial surety bonds are primarily used for guaranteeing municipal contract performance and providing financial assurances to meet final capping, landfill closure and post-closure obligations as required under certain environmental regulations. In addition to surety bonds, such guarantees and obligations may also be met through alternative financial assurance instruments, including insurance, letters of credit and restricted asset deposits. At December 31, 2009 and 2010, we had provided customers and various regulatory authorities with surety bonds in the aggregate amount of approximately \$182.5 million and \$190.6 million, respectively, to secure our landfill final capping, closure and post-closure requirements and \$90.6 million and \$95.1 million, respectively, to secure performance under collection contracts and landfill operating agreements.

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

**EMPLOYEES**

At December 31, 2010, we employed 5,510 full-time employees, of which 669, or approximately 12.1% of our workforce, were employed under collective bargaining agreements, primarily with the Teamsters Union. These employees are subject to labor agreements that are renegotiated periodically. We have two collective bargaining agreements covering 84 employees that are already expired or are set to expire during 2011. We do not expect any significant disruption in our overall business in 2011 as a result of labor negotiations, employee strikes or organizational efforts.

**SEASONALITY**

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. 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. We expect the fluctuation in our revenues between our highest and lowest quarters to be approximately 7% to 10%. 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.

**Table of Contents****EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets forth certain information concerning our executive officers and key employee as of February 9, 2011:

<b>NAME</b>	<b>AGE</b>	<b>POSITIONS</b>
Ronald J. Mittelstaedt <sup>(1)</sup>	47	Chief Executive Officer and Chairman
Steven F. Bouck	53	President
Darrell W. Chambliss	46	Executive Vice President and Chief Operating Officer
Worthing F. Jackman	46	Executive Vice President and Chief Financial Officer
David G. Eddie	41	Senior Vice President and Chief Accounting Officer
David M. Hall	53	Senior Vice President Sales and Marketing
James M. Little	49	Senior Vice President Engineering and Disposal
Eric M. Merrill	58	Senior Vice President People, Safety and Development
Eric O. Hansen	45	Vice President Chief Information Officer
Jerri L. Hunt <sup>(2)</sup>	59	Vice President Employee Relations
Scott I. Schreiber	54	Vice President Disposal Operations
Patrick J. Shea	40	Vice President, General Counsel and Secretary
Gregory Thibodeaux	44	Vice President Maintenance and Fleet Management
Richard K. Wojahn	53	Vice President Business Development

(1) Member of the Executive Committee of the Board of Directors.

(2) Key employee.

Ronald J. Mittelstaedt has been Chief Executive Officer and a director of Waste Connections since the company was formed, and was elected Chairman in January 1998. Mr. Mittelstaedt also served as President from Waste Connections formation through August 2004. Mr. Mittelstaedt has more than 22 years of experience in the solid waste industry. Mr. Mittelstaedt holds a B.A. degree in Business Economics with a finance emphasis from the University of California at Santa Barbara.

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

Darrell W. Chambliss has been Executive Vice President and Chief Operating Officer of Waste Connections since October 2003. From October 1, 1997, to that date, Mr. Chambliss served as Executive Vice President Operations. Mr. Chambliss has more than 21 years of experience in the solid waste industry. Mr. Chambliss holds a B.S. degree in Business Administration from the University of Arkansas.

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

David G. Eddie has been Senior Vice President and Chief Accounting Officer of Waste Connections since January 2011. From February 2010 to that date, Mr. Eddie served as Vice President Chief Accounting Officer. From March 2004 to February 2010, Mr. Eddie served as Vice President Corporate Controller. From April 2003 to February 2004, Mr. Eddie served as Vice President Public Reporting and Compliance. From May 2001 to

March 2003, Mr. Eddie served as Director of Finance. Mr. Eddie served as Corporate Controller for International Fibercom, Inc. from April 2000 to May 2001. From September 1999 to April 2000, Mr. Eddie served as Waste Connections Manager of Financial Reporting. From September 1994 to September 1999, Mr. Eddie held various positions, including Audit Manager, for PricewaterhouseCoopers LLP. Mr. Eddie is a Certified Public Accountant and holds a B.S. degree in Accounting from California State University, Sacramento.

David M. Hall has been Senior Vice President Sales and Marketing of Waste Connections since October 2005. From August 1998 to that date, Mr. Hall served as Vice President Business Development. Mr. Hall has more than 23 years of experience in the solid waste industry with extensive operating and marketing experience in the Western U.S. Mr. Hall received a B.S. degree in Management and Marketing from Missouri State University.

**Table of Contents**

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

Eric M. Merrill has been Senior Vice President – People, Safety and Development of Waste Connections since January 2009. From June 2007 to that date, Mr. Merrill served as Senior Vice President – People, Training and Development. Mr. Merrill joined us in 1998 and since 2000 had served as Regional Vice President – Pacific Northwest Region. Mr. Merrill has over 22 years of experience in the solid waste industry. He holds a B.S. degree in Accounting from the University of Oregon.

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

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

Scott I. Schreiber has been Vice President – Disposal Operations of Waste Connections since February 2009. From October 1998 to that date, Mr. Schreiber served as Director of Landfill Operations. Mr. Schreiber has more than 31 years of experience in the solid waste industry. From September 1993 to September 1998, Mr. Schreiber served as corporate Director of Landfill Development and corporate Director of Environmental Compliance for Allied Waste Industries, Inc. From August 1988 to September 1993, Mr. Schreiber served as Regional Engineer (Continental Region) and corporate Director of Landfill Development for Laidlaw Waste Systems Inc. From June 1979 to August 1988, Mr. Schreiber held several managerial and technical positions in the solid waste and environmental industry. Mr. Schreiber holds a B.S. degree in Chemistry from the University of Wisconsin at Parkside.

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

Gregory Thibodeaux has been Vice President – Maintenance and Fleet Management of Waste Connections since January 2011. From January 2000 to that date, Mr. Thibodeaux served as Director of Maintenance. Mr. Thibodeaux has more than 25 years of experience in the solid waste industry having held various management positions with Browning Ferris Industries, Sanifill, and USA Waste Services, Inc. Before coming to Waste Connections, Mr. Thibodeaux served as corporate Director of Maintenance for Texas Disposal Systems.

Richard K. Wojahn has been Vice President – Business Development of Waste Connections since February 2009. From September 2005 to that date, Mr. Wojahn served as Director of Business Development. Mr. Wojahn served as Vice President of Operations for Mountain Jack Environmental Services, Inc. (which was acquired by Waste Connections in September 2005) from January 2004 to September 2005. Mr. Wojahn has more than 29 years of experience in the solid waste industry having held various management positions with Waste Management, Inc. and Allied Waste Industries, Inc. Mr. Wojahn attended Western Illinois University.

**AVAILABLE INFORMATION**

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

**Table of Contents**

**ITEM 1A. RISK FACTORS**

Certain statements contained in this Annual Report on Form 10-K are forward-looking in nature, including statements related to our ability to provide adequate cash to fund our operating activities, our ability to draw on our credit facility or raise additional capital, the impact of global economic conditions on our volume, business and results of operations, the effects of landfill special waste projects on volume results, the effects of seasonality on our business and results of operations, demand for recyclable commodities and recyclable commodity pricing, our expectations with respect to capital expenditures, and our expectations with respect to the purchase of fuel and fuel prices. These statements can be identified by the use of forward-looking terminology such as believes, expects, may, will, should, or anticipate negative thereof or comparable terminology, or by discussions of strategy.

Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, those listed below and elsewhere in this report. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change.

**Risks Related to Our Business**

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

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

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

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

**Downturns in the worldwide economy adversely affect operating results.**

The general economic downturn in late 2008 and 2009 had a negative effect on our operating results, including decreases in volume generally associated with the construction industry, reduced personal consumption and declines in recycled commodity prices. In an economic slowdown, we also experience the negative effects of increased competitive pricing pressure, customer turnover, and reductions in customer service requirements. Worsening economic conditions or a prolonged or recurring economic recession could adversely affect our operating results and expected seasonal fluctuations. Further, we cannot assure you that an improvement in economic conditions after such a downturn will result in an immediate, if at all positive, improvement in our operating results or cash flows.

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

Our business and financial results would be harmed by downturns in the general economy of the regions in which we operate and other factors affecting those regions, such as state regulations affecting the solid waste services industry and severe weather conditions. Based on historic trends, we expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters, and lower in the fourth quarter than in the second and third quarters. We expect the fluctuation in our revenues between our highest and lowest quarters to be approximately 7% to 10%. This seasonality reflects the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during the winter months in 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. Because of these factors, we expect operating income to be generally lower in the winter months, and our stock price may be negatively affected by these variations.

**Table of Contents**

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

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

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

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

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

We may lose contracts through competitive bidding, early termination or governmental action.

We derive a significant portion of our revenues from market areas where we have exclusive arrangements, including franchise agreements, municipal contracts and G Certificates. Many franchise agreements and municipal contracts are for a specified term and are or will be subject to competitive bidding in the future. For example, we have approximately 263 contracts, representing approximately 5.6% of our annual revenues, which are set for expiration or automatic renewal on or before December 31, 2011. Although we intend to bid on additional municipal contracts and franchise agreements, we may not be the successful bidder. In addition, some of our customers may terminate their contracts with us before the end of the contract term.

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

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

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

margins and obtain adequate investment returns through price increases. We may also lose volume to lower-cost competitors.

**Table of Contents**

**Increases in the price of fuel may adversely affect our business and reduce our operating margins.**

The market price of fuel is volatile and rose substantially in recent years before falling with the general economic downturn in late 2008, but again rose during 2009 and 2010. We generally purchase diesel fuel at market prices, and such prices have fluctuated significantly. A significant increase in our fuel cost could adversely affect our business and reduce our operating margins and reported earnings. To manage a portion of this risk, we have entered into multiple fuel hedge agreements related to forecasted diesel fuel purchases and may also enter into fixed-price fuel purchase contracts. During periods of falling diesel fuel prices, our hedge payable positions may increase and it may become more expensive to purchase fuel under fixed-price fuel purchase contracts than at market prices.

**Increases in labor and disposal and related transportation costs could impact our financial results.**

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

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

From time to time, labor unions attempt to organize our employees. Some groups of our employees are represented by unions, and we have negotiated collective bargaining agreements with most of these groups. We are currently engaged in negotiations with other groups of employees represented by unions. Additional groups of employees may seek union representation in the future. As a result of these activities, we may be subjected to unfair labor practice charges, complaints and other legal and administrative proceedings initiated against us by unions or the National Labor Relations Board, which could negatively impact our operating results. For example, see discussion regarding El Paso, Texas Labor Union Disputes under the Legal Proceedings section of Note 10 of our consolidated financial statements included in Item 8 of this report. Negotiating collective bargaining agreements with these groups could divert management attention, which could also adversely affect operating results. If we are unable to negotiate acceptable collective bargaining agreements, we might have to wait through cooling off periods, which are often followed by union-initiated work stoppages, including strikes. Furthermore, any significant work stoppage or slowdown at ports or by railroad workers could reduce or interrupt the flow of cargo containers through our intermodal facilities. Depending on the type and duration of any labor disruptions, our operating expenses could increase significantly, which could adversely affect our financial condition, results of operations and cash flows.

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

We participate in various multiemployer pension plans administered by employee and union trustees. We make periodic contributions to these plans pursuant to our various contractual obligations to do so. In the event that we withdraw from participation in or otherwise cease our contributions to one of these plans, then applicable law regarding withdrawal liability could require us to make additional contributions to the plan if it is underfunded, and we would have to reflect that as an expense in our consolidated statement of operations and as a liability on our consolidated balance sheet. Our withdrawal liability for any multiemployer plan would depend on the extent of the plan's funding of vested benefits. In the ordinary course of our renegotiation of collective bargaining agreements with labor unions that participate in these plans, we may decide to discontinue participation in a plan, and in that event, we could face a withdrawal liability. Some multiemployer plans in which we participate may have significant underfunded liabilities. Such underfunding could increase the size of our potential withdrawal liability.



**Table of Contents**

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

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

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

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

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

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

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

As of December 31, 2010, we had \$912.6 million of total indebtedness outstanding. We may incur substantial additional debt in the future. The incurrence of substantial additional indebtedness could have important consequences to you. For example, it could:

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

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

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

## **Table of Contents**

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

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

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

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

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

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

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

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

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

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

### **We may incur charges related to capitalized expenditures of landfill development projects, which would decrease our earnings.**

In accordance with U.S. generally accepted accounting principles, we capitalize some expenditures and advances relating to landfill development projects. We expense indirect costs such as executive salaries, general corporate overhead and other corporate services as we incur those costs. We charge against earnings any unamortized capitalized expenditures and advances (net of any amount that we estimate we will recover, through sale or otherwise) that relate to any operation that is permanently shut down or determined to be impaired and any landfill development project that we do not expect to complete. For example, if we are unsuccessful in our attempts to obtain or defend permits that we are seeking or have been awarded to operate a landfill, we will no longer generate income from the landfill and we will be required to expense in a future period the amount of capitalized expenditures related to the landfill, less the recoverable value of the property and other amounts recovered. Additionally, we may incur increased operating expenses to dispose of the previously internalized waste that would need to be transported to another disposal location. Any such charges could have a material adverse effect on our results of operations for that period.



and could decrease our stock price. See discussion regarding the Chaparral, New Mexico Landfill Permit Litigation and the Harper County, Kansas Permit Litigation under the Legal Proceedings section of Note 10 of our consolidated financial statements included in Item 8 of this report.

**Table of Contents**

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

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

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

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

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

Our implementation of and compliance with changes in accounting rules and interpretations could adversely affect our operating results or cause unanticipated fluctuations in our results in future periods. The accounting rules and regulations that we must comply with are complex and continually changing. Recent actions and public comments from the SEC have focused on the integrity of financial reporting generally. The Financial Accounting Standards Board, or FASB, has recently introduced several new or proposed accounting standards, or is developing new proposed standards, which would represent a significant change from current industry practices. For example, the proposed derivatives guidance would change the overall accounting for hedges by requiring only a qualitative assessment of hedge effectiveness at inception and reassessments only under certain circumstances. However, the proposed guidance requires all ineffectiveness to be recorded in the income statement and eliminates the short cut and critical terms match methods to attain hedge effectiveness. Additionally, the proposed lease accounting pronouncement would change the accounting for operating leases by requiring a right-of-use-asset to be recorded on the balance sheet as well as a corresponding liability for the obligation to pay lease rentals. The proposed guidance also changes how lease expense is recognized in the income statement requiring more expense to be recorded in the initial years of the lease. If we are unable to negotiate revisions to our existing loan facilities, this new lease guidance could impact our covenant compliance, which could cause us to be in default under these loan agreements; this would allow the lenders to require us to immediately repay the loans.

In addition, many companies' accounting policies are being subjected to heightened scrutiny by regulators and the public. While we believe that our financial statements have been prepared in accordance with U.S. generally accepted accounting principles, we cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward.

**Table of Contents****Risks Related to Our Industry**

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

We currently own and/or operate 44 landfills. Our ability to meet our financial and operating objectives may depend in part on our ability to acquire, lease, renew landfill operating permits, expand existing landfills and develop new landfill sites. It has become increasingly difficult and expensive to obtain required permits and approvals to build, operate and expand solid waste management facilities, including landfills and transfer stations. Operating permits for landfills in states where we operate must generally be renewed every five to ten years, although some permits are required to be renewed more frequently. These operating permits often must be renewed several times during the permitted life of a landfill. The permit and approval process is often time consuming, requires numerous hearings and compliance with zoning, environmental and other requirements, is frequently challenged by special interest and other groups, and may result in the denial of a permit or renewal, the award of a permit or renewal for a shorter duration than we believed was otherwise required by law, or burdensome terms and conditions being imposed on our operations. We may not be able to obtain new landfill sites or expand the permitted capacity of our landfills when necessary. Obtaining new landfill sites is important to our expansion into new, non-exclusive markets. If we do not believe that we can obtain a landfill site in a non-exclusive market, we may choose not to enter that market. Expanding existing landfill sites is important in those markets where the remaining lives of our landfills are relatively short. We may choose to forego acquisitions and internal growth in these markets because increased volumes would further shorten the lives of these landfills. Any of these circumstances could adversely affect our operating results.

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

Various state and local governments have enacted, or are considering enacting, laws and regulations that restrict the disposal within the jurisdiction of solid waste generated outside the jurisdiction. In addition, some state and local governments have promulgated, or are considering promulgating, laws and regulations which govern the flow of waste generated within their respective jurisdictions. These flow control laws and regulations typically require that waste generated within the jurisdiction be directed to specified facilities for disposal or processing, which could limit or prohibit the disposal or processing of waste in our transfer stations and landfills. Such flow control laws and regulations could also require us to deliver waste collected by us within a particular jurisdiction to facilities not owned or controlled by us, which could increase our costs and reduce our revenues. In addition, such laws and regulations could require us to obtain additional costly licenses or authorizations to be deemed an authorized hauler or disposal facility. For example, see discussion regarding El Paso, Texas Breach of Contract/Flow Control Litigation under the Legal Proceedings section of Note 10 of our consolidated financial statements included in Item 8 of this report.

Additionally, public interest and pressure from competing industry segments has caused some trade associations and environmental activists to seek enforcement of laws regulating the flow of solid waste that have not been recently enforced and which, in at least one case, we believe are unconstitutional or otherwise unlawful. See discussion regarding the Solano County, California Measure E/Landfill Expansion Litigation under the Legal Proceedings section of Note 10 of our consolidated financial statements included in Item 8 of this report. If successful, these groups may advocate for the enactment of similar laws in neighboring jurisdictions through local ballot initiatives or otherwise. All such waste disposal laws and regulations are subject to judicial interpretation and review. Court decisions, congressional legislation, and state and local regulation in the waste disposal area could adversely affect our operations.

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

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

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

Existing environmental and employment laws and regulations have become more stringently enforced in recent years. Competing industry segments and other interested parties have sought enforcement of laws that local jurisdictions have not recently enforced and which, in at least one case, we believe are unconstitutional or otherwise unlawful. See discussion regarding the Solano County, California Measure E/Landfill Expansion Litigation under the Legal Proceedings section of Note 10 of our consolidated financial statements included in Item 8 of this report. If successful, such groups may advocate for the enactment of similar laws in neighboring jurisdictions through local ballot initiatives or otherwise. In addition, our industry is subject to regular enactment of new or amended federal, state and local environmental and health and safety statutes, regulations and ballot initiatives, as well as judicial decisions interpreting these requirements. These requirements impose substantial capital and operating costs and operational limitations on us and may adversely affect our business. In addition, federal, state and local governments may change the rights they grant to, the restrictions they impose on, or the laws and regulations they enforce against, solid waste services companies, and those changes could restrict our operations and growth.

**Table of Contents**

**Climate change regulations may adversely affect operating results.**

Governmental authorities and various interest groups have promoted laws and regulations that could limit greenhouse gas, or GHG, emissions due to concerns that GHGs are contributing to climate change. The State of California has already adopted a climate change law, and other states in which we operate are considering similar actions. For example, California enacted AB 32, the Global Warming Solutions Act of 2006, which established the first statewide program in the United States to limit GHG emissions and impose penalties for non-compliance. Since then, the California Air Resources Board has taken and plans to take various actions to implement the program, including the approval of an AB 32 Scoping Plan summarizing the main GHG-reduction strategies for California, in December 2008; a landfill methane control measure, which became effective in June 2010; and, in December 2010, a GHG cap-and-trade program which is scheduled to take effect in 2012. Because landfill and collection operations emit GHGs, our operations in California are subject to regulations issued under AB 32. These regulations increase our costs for those operations and adversely affect our operating results. The Western Climate Initiative, which currently includes seven states, all of which we operate in, and four Canadian provinces, has also developed GHG reduction strategies, among them a GHG cap-and-trade program. In addition, the EPA made an endangerment finding in 2009 allowing certain GHGs to be regulated under the Clean Air Act. This finding allows the EPA to create regulations that will impact our operations including imposing emission reporting, permitting, control technology installation, and monitoring requirements, although the materiality of the impacts will not be known until all regulations are finalized. The EPA has already finalized its GHG reporting rule, which requires that municipal solid waste landfills monitor and report GHG emissions. The EPA has also finalized its tailoring rule, which imposes certain permitting and control technology requirements upon newly-constructed or modified facilities which emit GHGs over a certain threshold under the Clean Air Act New Source Review Prevention of Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, NSR PSD or Title V permits issued after January 2, 2011, for new or modified landfills may need to address GHG emissions, including by requiring the installation of Best Available Control Technology. Notably, landfills may become subject to such permitting requirements under the tailoring rule based on their GHG emissions even if their emission of other regulated pollutants would not otherwise trigger permitting requirements.

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

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

**Alternatives to landfill disposal may cause our revenues and operating results to decline.**

Counties and municipalities in which we operate landfills may be required to formulate and implement comprehensive plans to reduce the volume of solid waste deposited in landfills through waste planning, composting, recycling or other programs. Some state and local governments prohibit the disposal of certain types of wastes, such as yard waste, at landfills. Although such actions are useful to protect our environment, these actions, as well as the actions of our customers to reduce waste or seek disposal alternatives, have reduced and may in the future further reduce the volume of waste going to landfills in certain areas, which may affect our ability to operate our landfills at full capacity and could adversely affect our operating results.

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

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

force us to temporarily suspend some of our operations.

**Table of Contents**

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

As of December 31, 2010, we owned 135 collection operations, 41 transfer stations, 33 municipal solid waste landfills, two construction and demolition landfills, 39 recycling operations, five intermodal operations and one exploration and production waste treatment and disposal facility, and operated, but did not own, an additional 13 transfer stations, nine municipal solid waste landfills and two intermodal operations in 27 states. We lease certain of the sites on which these facilities are located. We lease various office facilities, including our corporate offices in Folsom, California, where we occupy approximately 54,000 square feet of space. We also maintain regional administrative offices in each of our regions. We own various equipment, including waste collection and transportation vehicles, related support vehicles, double-stack rail cars, carts, containers, chassis and heavy equipment used in landfill, collection, transfer station and intermodal operations. We believe that our existing facilities and equipment are adequate for our current operations. However, we expect to make additional investments in property and equipment for expansion and replacement of assets in connection with future acquisitions.

**ITEM 3. LEGAL PROCEEDINGS**

Information regarding our legal proceedings can be found under the **Legal Proceedings** section of Note 10 of our consolidated financial statements included in Item 8 of this report and is incorporated herein by reference.

**ITEM 4. [Removed and Reserved]**

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is listed on the New York Stock Exchange under the symbol "WCN". The following table sets forth, for the periods indicated, the high and low prices per share of our common stock, as reported on the New York Stock Exchange. Prices have been retroactively adjusted to reflect our three-for-two stock split, in the form of a 50% stock dividend, effective as of November 12, 2010.

	<b>HIGH</b>	<b>LOW</b>
<b>2009</b>		
First Quarter	\$ 21.18	\$ 13.68
Second Quarter	18.53	15.99
Third Quarter	20.18	16.29
Fourth Quarter	22.67	18.91
<b>2010</b>		
First Quarter	\$ 23.58	\$ 20.46
Second Quarter	24.71	22.01
Third Quarter	26.96	22.97
Fourth Quarter	27.79	25.60
<b>2011</b>		
First Quarter (through January 21, 2011)	\$ 28.52	\$ 26.99

As of January 21, 2011, there were 84 record holders of our common stock.

On October 19, 2010, our Board of Directors authorized the initiation of a quarterly cash dividend of \$0.075 per share, as adjusted for the three-for-two stock split described above. The initial quarterly cash dividend was paid on November 12, 2010, to the stockholders of record as of the close of business on October 29, 2010. The Board will review the cash dividend periodically, with a long-term objective of increasing the amount of the dividend. We cannot assure you as to the amounts or timing of future dividends. We have the ability under our senior revolving credit facility to repurchase our common stock and pay dividends provided we maintain specified financial ratios.

Our Board of Directors has authorized a common stock repurchase program for the repurchase of up to \$800 million of our common stock through December 31, 2012. 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 our capital structure, the market price of our common stock and overall market conditions. As of December 31, 2010, we have repurchased approximately 35.4 million shares of our common stock at a cost of \$648.6 million. The table below reflects repurchases we made during the three months ended December 31, 2010 (in thousands, except share and per share amounts):

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share<sup>(1)</sup></b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program</b>
10/1/10 - 10/31/10	1,289,208	\$ 26.93	1,289,208	\$ 166,592



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11/1/10	11/30/10	576,665	26.39	576,665	151,374
12/1/10	12/31/10				151,374
		1,865,873	26.76	1,865,873	

(1) This amount represents the weighted average price paid per common share. This price includes a per share commission paid for all repurchases.

**Table of Contents****Performance Graph**

The following performance graph compares the total cumulative stockholder returns on our common stock over the past five fiscal years with the total cumulative returns for the S&P 500 Index and two peer group indexes we selected. The graph assumes an investment of \$100 in our common stock on December 31, 2005, and the reinvestment of all dividends. This chart has been calculated in compliance with SEC requirements and prepared by Capital IQ®.

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

Company Name / Index	Base Period		Indexed Returns Years Ending			
	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10
Waste Connections, Inc.	\$ 100	\$ 120.57	\$ 134.50	\$ 137.42	\$ 145.12	\$ 180.08
S&P 500 Index	\$ 100	\$ 115.79	\$ 122.16	\$ 76.96	\$ 97.33	\$ 111.99
Peer Group #1 <sup>(a), (c)</sup>	\$ 100	\$ 120.45	\$ 116.80	\$ 114.04	\$ 128.29	\$ 145.56
Peer Group #2 <sup>(b), (c)</sup>	\$ 100	\$ 120.45	\$ 116.80	\$ 114.04	\$ 125.97	\$ 140.39

(a) Peer Group #1 Companies: Casella Waste Systems, Inc.; Republic Services, Inc.; Waste Management, Inc.; IESI-BFC Ltd.

(b) Peer Group #2 Companies: Casella Waste Systems, Inc.; Republic Services, Inc.; Waste Management, Inc.

(c) The companies comprising our Peer Group #1 in this Annual Report on Form 10-K for the year ended December 31, 2010, now include IESI-BFC Ltd., which was not previously included in our Peer Group Companies in our Annual Report on Form 10-K for the year ended December 31, 2009, because this was the first full year that IESI-BFC Ltd. was traded on a U.S. stock exchange. Additionally, IESI-BFC Ltd. increased its operational presence in the U.S. after its merger with Waste Services, Inc. in July 2010, and other acquisitions completed during the year.

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

**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

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

	<b>YEARS ENDED DECEMBER 31,</b>				
	<b>2006</b>	<b>2007</b>	<b>2008 (a)</b>	<b>2009 (a)</b>	<b>2010 (a)</b>
	<i>(in thousands, except share and per share data)</i>				
<b>STATEMENT OF OPERATIONS DATA:</b>					
Revenues	\$ 824,354	\$ 958,541	\$ 1,049,603	\$ 1,191,393	\$ 1,319,757
Operating expenses:					
Cost of operations	492,766	566,089	628,075	692,415	749,487
Selling, general and administrative	84,541	99,565	111,114	138,026	149,860
Depreciation	70,785	81,287	91,095	117,796	132,874
Amortization of intangibles	4,080	4,341	6,334	12,962	14,582
Loss (gain) on disposal of assets	796	250	629	(481)	571
Operating income	171,386	207,009	212,356	230,675	272,383
Interest expense	(33,141)	(39,206)	(43,102)	(49,161)	(40,134)
Interest income	1,140	1,593	3,297	1,413	590
Loss on extinguishment of debt					(10,193)
Other income (expense), net	(3,759)	289	(633)	(7,551)	2,830
Income before income tax provision	135,626	169,685	171,918	175,376	225,476
Income tax provision	(47,177)	(58,328)	(56,775)	(64,565)	(89,334)
Net income	88,449	111,357	115,143	110,811	136,142
Less: Net income attributable to noncontrolling interests	(12,905)	(14,870)	(12,240)	(986)	(1,038)
Net income attributable to Waste Connections	\$ 75,544	\$ 96,487	\$ 102,903	\$ 109,825	\$ 135,104
Earnings per common share attributable to Waste Connections common stockholders:					
Basic	\$ 0.74	\$ 0.94	\$ 0.98	\$ 0.92	\$ 1.17
Diluted	\$ 0.72	\$ 0.92	\$ 0.96	\$ 0.91	\$ 1.16

Shares used in the per share calculations:

Basic <sup>(b)</sup>	102,204,189	102,357,785	105,037,311	119,119,601	115,646,173
Diluted <sup>(b)</sup>	105,613,010	104,992,070	107,129,568	120,506,162	116,894,204
Cash dividends per common share	\$	\$	\$	\$	\$ 0.075
Cash dividends paid	\$	\$	\$	\$	\$ 8,561

**Table of Contents**

	<b>YEARS ENDED DECEMBER 31,</b>				
	<b>2006</b>	<b>2007</b>	<b>2008 <sup>(a)</sup></b>	<b>2009 <sup>(a)</sup></b>	<b>2010 <sup>(a)</sup></b>
	<i>(in thousands, except share and per share data)</i>				
<b>BALANCE SHEET DATA:</b>					
Cash and equivalents	\$ 34,949	\$ 10,298	\$ 265,264	\$ 9,639	\$ 9,873
Working capital (deficit)	10,368	(24,849)	213,747	(45,059)	(37,976)
Property and equipment, net	736,428	865,330	984,124	1,308,392	1,337,476
Total assets	1,773,356	1,981,548	2,600,357	2,820,448	2,915,984
Long-term debt and notes payable	617,665	704,184	819,828	867,554	909,978
Total equity	776,321	814,618	1,261,997	1,357,036	1,370,418

- (a) For more information regarding this financial data, see the Management's Discussion and Analysis of Financial Condition and Results of Operations section included in this report. For disclosures associated with the impact of the adoption of new accounting pronouncements and the comparability of this information, see Note 1 of the consolidated financial statements.
- (b) Share amounts have been retroactively adjusted to reflect our three-for-two stock split, in the form of a 50% stock dividend, effective as of March 13, 2007 and our three-for-two stock split, in the form of a 50% stock dividend, effective as of November 12, 2010.

**Table of Contents****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Selected Financial Data included in Item 6 of this Annual Report on Form 10-K, our consolidated financial statements and the related notes included elsewhere in this report.

**Industry Overview**

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

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

**Executive Overview**

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

**Operating Results**

Revenue in 2010 increased 10.8% to \$1.32 billion from \$1.19 billion in 2009, with internal growth slightly exceeding acquisition growth in the year. Operating margins, net income, capital expenditures, and free cash flow also expanded, further strengthening our business and financial profile.

As shown in the table below, internal growth increased to positive 5.5% in 2010, from negative 6.0% in 2009. Pricing remained relatively stable year-to-year, but increased landfill revenue offset continuing weakness in collection revenue, which resulted in total volume growth increasing from negative 6.2% in 2009 to flat in 2010. Recycling and other contributed 2.6% to internal growth in 2010 due to unprecedented increases in volatile recycled commodity prices throughout the year and increased intermodal activity.

	<b>2009</b>	<b>2010</b>
Price	2.7%	2.9%
Volume	(6.2%)	0.0%
Recycling and Other	(2.5%)	2.6%
Internal Growth	(6.0%)	5.5%

In 2010, adjusted operating income before depreciation and amortization, a non-GAAP financial measure (refer to page 48 of this report for a definition and reconciliation to Operating income), increased 15.0% to \$424.3 million from \$368.8 million in 2009. As a percentage of revenue, adjusted operating income before depreciation and amortization increased from 31.0% in 2009, to 32.1% in 2010. This 1.1 percentage point increase was primarily attributable to growth in higher margin revenue components: price increases to our customers, higher recycling commodity values and increased disposal volumes. Net income attributable to Waste Connections in 2010 increased 23.0% to \$135.1 million from \$109.8 million in 2009.

**Table of Contents****Free Cash Flow**

Net cash provided by operating activities increased 8.2% to \$328.4 million in 2010 from 2009, and capital expenditures increased 5.1% to \$134.8 million over that period. Free cash flow, a non-GAAP financial measure (refer to page 47 of this report for a definition and reconciliation to Net cash provided by operating activities), increased 10.5% to \$212.5 million in 2010, from \$192.3 million in 2009. Free cash flow as a percentage of revenues was 16.1% in both 2009 and 2010. We believe this strength in our free cash flow reflects the continuing resiliency of our strategy during this uncertain economic period.

**Return of Capital to Stockholders**

Throughout 2010, we maintained a target of returning approximately five to six percent of our equity market capitalization to stockholders. We met our goal through a combination of stock repurchases and cash dividends. We repurchased approximately 6.9 million shares of common stock at a cost of \$166.3 million during 2010. Our Board of Directors also initiated a quarterly cash dividend of \$0.075 per share of common stock in the fourth quarter of 2010, totaling \$8.6 million in the period. Our Board of Directors intends to review the quarterly dividend during the fourth quarter of each year, with a long-term objective of increasing the amount of the dividend. We expect the amount of capital we return to stockholders through stock repurchases to vary depending on our financial condition and results of operations, the amount of cash we deploy on acquisitions, the market price of our common stock, and overall market conditions. We cannot assure you as to the amounts or timing of future stock repurchases or dividends. We have the ability under our senior revolving credit facility to repurchase our common stock and pay dividends provided we maintain specified financial ratios.

**Capital Position**

We target a leverage ratio, as defined in our credit facility, between 2.5x and 2.75x of total debt to earnings before interest, taxes, depreciation and amortization, or EBITDA. We deployed \$255.9 million during 2010 for acquisitions, repurchases of common stock, and dividends. These outlays were primarily funded by operating cash flow during the year. As a result of our strong free cash flow and improved financial performance, our leverage ratio declined from its December 31, 2009 level, and continued to remain below our targeted range at year-end 2010.

**Critical Accounting Estimates and Assumptions**

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

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

**Income taxes.** We use the liability method to account for income taxes. Accordingly, deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. If our judgment and estimates concerning assumptions made in calculating our expected future income tax



rates are incorrect, our deferred tax assets and liabilities would change. Based on our net deferred tax liability balance at December 31, 2010, each 0.1 percentage point change to our expected future income tax rate would change our net deferred tax liability balance and income tax expense by approximately \$0.8 million.

**Table of Contents**

**Accounting for landfills.** We recognize landfill depletion expense as airspace of a landfill is consumed. Our landfill depletion rates are based on the remaining disposal capacity at our landfills, considering both permitted and probable expansion airspace. We calculate the net present value of our 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. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in our final capping, closure and post-closure liabilities being recorded in layers. 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 landfills' airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. The accounting methods discussed below require us to make certain estimates and assumptions. Changes to these estimates and assumptions could have a material effect on our financial condition and results of operations. Any changes to our estimates are applied prospectively.

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

**Final capping, closure and post-closure obligations.** We accrue for estimated final capping, closure and post-closure maintenance obligations at the landfills we own, and the landfills that we operate, but do not own, under life-of-site agreements. We could have additional material financial obligations relating to final capping, closure and post-closure costs at other disposal facilities that we currently own or operate or that we may own or operate in the future. At January 1, 2010, we decreased our discount rate assumption for purposes of computing 2010 layers for final capping, closure and post-closure obligations from 9.25% to 6.5%, in order to more accurately reflect our long-term cost of borrowing as of the end of 2009. Our inflation rate assumption was 2.5% for the years ending December 31, 2009 and 2010. The resulting final capping, closure and post-closure obligation is recorded on the balance sheet as an addition to site costs and amortized as depletion expense as the landfill's total airspace is consumed. Significant reductions in our estimates of the remaining lives of our landfills or significant increases in our estimates of the landfill final capping, closure and post-closure maintenance costs could have a material adverse effect on our financial condition and results of operations. Additionally, changes in regulatory or legislative requirements could increase our costs related to our landfills, resulting in a material adverse effect on our financial condition and results of operations.

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

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

- 1) whether the land where the expansion is being sought is contiguous to the current disposal site, and we either own the expansion property or have rights to it under an option, purchase, operating or other similar

agreement;

- 2) whether total development costs, final capping costs, and closure/post-closure costs have been determined;
- 3) whether internal personnel have performed a financial analysis of the proposed expansion site and have determined that it has a positive financial and operational impact;
- 4) whether internal personnel or external consultants are actively working to obtain the necessary approvals to obtain the landfill expansion permit; and
- 5) whether we consider it probable that we will achieve the expansion (for a pursued expansion to be considered probable, there must be no significant known technical, legal, community, business or political restrictions or similar issues existing that we believe are more likely than not to impair the success of the expansion).

## **Table of Contents**

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

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

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

To determine the fair value of each of our reporting units as a whole and each indefinite-lived intangible asset, we use discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit and the future discrete cash flows related to each indefinite-lived intangible asset. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in our 2010 discounted cash flow analyses were based on ten-year financial forecasts, which in turn were based on the 2011 annual budget developed internally by management. These forecasts reflect operating profit margins that were consistent with 2010 results and perpetual revenue growth rates of 4.5%. Our discount rate assumptions are based on an assessment of our weighted average cost of capital. In assessing the reasonableness of our determined fair values of our reporting units, we evaluate our results against our current market capitalization.

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

- a significant adverse change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- a more likely than not expectation that a segment or a significant portion thereof will be sold; or
- the testing for recoverability of a significant asset group within the segment.

We did not record an impairment charge as a result of our goodwill and indefinite-lived intangibles impairment test in 2010. Additionally, we do not expect any impairment on our goodwill or indefinite-lived intangibles in the foreseeable future. However, we cannot assure you that goodwill and indefinite-lived intangibles will not be impaired at any time in the future.

**Business Combination Accounting.** We recognize, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. We measure and recognize 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 our previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed.

From time to time, we consummate acquisitions in which we exchange operations we own for operations owned by another solid waste company. These exchange transactions require us to estimate the fair market value of either the operations we receive or the operations we dispose of, whichever is more clearly evident. To the extent that the fair

market value of the operations we dispose of differs from the fair market value of the operations we obtain, cash is either paid or received to offset the difference in fair market values. One method we use to estimate the fair value of solid waste companies is based on a multiple of EBITDA. We determine the appropriate EBITDA multiple to be used in the valuation of exchange transactions based on factors such as the size of the transaction, the type and location of markets serviced, the existence of long-term contracts and the EBITDA multiples we have paid in other similar cash-based transactions.

**Table of Contents****General**

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

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

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

Our revenues from recycling services consist of selling recyclable materials (including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals) collected from our residential customers and at our recycling processing operations to third parties for processing before resale.

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

No single contract or customer accounted for more than 10% of our total revenues at the consolidated or reportable segment level during the periods presented. The table below shows for the periods indicated our total reported revenues attributable to services provided (dollars in thousands).

	Years Ended December 31,					
	2008		2009		2010	
Collection	\$ 787,713	66.4%	\$ 901,768	66.1%	\$ 951,327	62.8%
Disposal and transfer	308,811	26.0	392,497	28.8	458,241	30.3
Recycling and other	89,594	7.6	68,845	5.1	103,974	6.9
	1,186,118	100.0%	1,363,110	100.0%	1,513,542	100.0%
Less: intercompany elimination	(136,515)		(171,717)		(193,785)	
Total revenue	\$ 1,049,603		\$ 1,191,393		\$ 1,319,757	

Cost of operations includes labor and benefits, tipping fees paid to third-party disposal facilities, vehicle and equipment maintenance, workers compensation, vehicle and equipment insurance, insurance and employee group health claims expense, third-party transportation expense, fuel, the cost of materials we purchase for recycling, district and state taxes and host community fees and royalties. Our significant costs of operations in 2010 were labor, third-party disposal and transportation, vehicle and equipment maintenance, taxes and fees, insurance and fuel. We use a number of programs to reduce overall cost of operations, including increasing the use of automated routes to

reduce labor and workers compensation exposure, utilizing comprehensive maintenance and health and safety programs, and increasing the use of transfer stations to further enhance internalization rates. We carry high-deductible insurance for automobile liability, property, general liability, workers compensation, employer s liability and employer group health claims. If we experience insurance claims or costs above or below our historically evaluated levels, our estimates could be materially affected.

**Table of Contents**

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

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

We capitalize some third-party expenditures related to development projects, such as legal, engineering and interest expenses. We expense all third-party and indirect acquisition costs, including third-party legal and engineering expenses, executive and corporate overhead, public relations and other corporate services, as we incur them. We charge against net income any unamortized capitalized expenditures and advances (net of any portion that we believe we may recover, through sale or otherwise) that may become impaired, such as those that relate to any operation that is permanently shut down and any landfill development project that we believe will not be completed. We routinely evaluate all capitalized costs, and expense those related to projects that we believe are not likely to succeed.

At December 31, 2010, we had \$11.6 million in capitalized expenditures for a landfill project in Chaparral, New Mexico, with respect to which we had obtained a permit to operate the landfill. On July 18, 2005, the Supreme Court of New Mexico ordered the New Mexico Environment Department to conduct an additional limited hearing to consider evidence that landfill opponents claim was wrongfully excluded. The parties have agreed to postpone the hearing until November 2011 to allow us time to explore a possible relocation of the landfill to the approximately 325 acres of undeveloped land we purchased from the State of New Mexico in July 2009. If we are ultimately issued a permit to operate the landfill at the new site purchased in July 2009, we will be required to expense in a future period \$10.3 million of capitalized expenditures related to the original Chaparral property, less the recoverable value of that undeveloped property and other amounts recovered, which would likely have a material adverse effect on our results of operations for that period. If we instead are ultimately issued a permit to operate the landfill at the original Chaparral property, we will be required to expense in a future period \$1.3 million of capitalized expenditures related to the new site purchased in July 2009, less the recoverable value of that undeveloped property and other amounts recovered. If we are not ultimately issued a permit to operate the landfill at either one of the two sites, we will be required to expense in a future period the full \$11.6 million of capitalized expenditures, less the recoverable value of the undeveloped properties and other amounts recovered, which would likely have a material adverse effect on our results of operations for that period.

**Segment Reporting**

Our Chief Operating Decision Maker evaluates performance and determines resource allocations based on several factors, of which the primary financial measure is 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. Our 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.

We manage our operations through three geographic operating segments (Western, Central and Southern), which, commencing in 2009, were also our reportable segments. Prior to 2009, we aggregated our multiple operating segments into one reportable segment. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. The segment information presented herein reflects the realignment of our organizational structure in the second quarter of 2008, which reduced the number of our geographic operating segments from four to three. The segment information presented herein also reflects the realignment of certain of our districts between operating segments in the first quarter of 2010. Under the current



orientation, our Western Region is comprised of operating locations in California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Central Region is comprised of operating locations in Colorado, Kansas, Michigan, Minnesota, Nebraska, Oklahoma, South Dakota, Utah and eastern Wyoming; and our Southern Region is comprised of operating locations in Alabama, Arizona, Illinois, Iowa, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, South Carolina, Tennessee and Texas.

**Table of Contents**

Revenues, net of intercompany eliminations, for our reportable segments are shown in the following table for the periods indicated (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Western	\$ 529,538	\$ 634,368	\$ 709,821
Central	281,529	274,762	291,320
Southern	238,536	282,263	318,616
	\$ 1,049,603	\$ 1,191,393	\$ 1,319,757

Operating income before depreciation, amortization and gain (loss) on disposal of assets for our reportable segments is shown in the following table for the periods indicated (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Western	\$ 155,591	\$ 184,421	\$ 218,254
Central	79,353	86,984	95,047
Southern	71,205	85,846	101,827
Corporate <sup>(a)</sup>	4,265	3,701	5,282
	\$ 310,414	\$ 360,952	\$ 420,410

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

A reconciliation of Operating income before depreciation, amortization and gain (loss) on disposal of assets to Income before income tax provision is included in Note 14 to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Significant changes in revenue and operating income before depreciation, amortization and gain (loss) on disposal of assets for our reportable segments for the year ended December 31, 2010, compared to the year ended December 31, 2009 and for the year ended December 31, 2009, compared to the year ended December 31, 2008, are discussed below:

**Segment Revenue**

Revenue in our Western segment increased \$75.4 million, or 11.9%, to \$709.8 million for the year ended December 31, 2010, from \$634.4 million for the year ended December 31, 2009. For the year ended December 31, 2010, the components of the revenue increase consisted of revenue acquired from acquisitions closed during, or subsequent to, the year ended December 31, 2009 of \$30.0 million, net price increases of \$13.1 million, volume increases of \$5.6 million, recyclable commodity sales increases of \$20.4 million and other revenue increases of \$6.3 million.

Revenue in our Western segment increased \$104.9 million, or 19.8%, to \$634.4 million for the year ended December 31, 2009, from \$529.5 million for the year ended December 31, 2008. For the year ended December 31, 2009, the components of the revenue increase consisted of revenue acquired from acquisitions closed during, or subsequent to, the year ended December 31, 2008 of \$134.6 million and net price increases of \$13.6 million, partially offset by volume decreases of \$21.2 million, recyclable commodity sales decreases of \$11.7 million and other revenue decreases of \$10.4 million.

Revenue in our Central segment increased \$16.5 million, or 6.0%, to \$291.3 million for the year ended December 31, 2010, from \$274.8 million for the year ended December 31, 2009. For the year ended December 31, 2010, the

components of the revenue increase consisted of revenue acquired from acquisitions closed during, or subsequent to, the year ended December 31, 2009 of \$5.5 million, net price increases of \$10.4 million, recyclable commodity sales increases of \$3.0 million and other revenue increases of \$0.4 million, partially offset by volume decreases of \$2.8 million.

Revenue in our Central segment decreased \$6.7 million, or 2.4%, to \$274.8 million for the year ended December 31, 2009, from \$281.5 million for the year ended December 31, 2008. For the year ended December 31, 2009, the components of the revenue decrease consisted of volume decreases of \$27.1 million and recyclable commodity sales decreases of \$3.0 million, partially offset by revenue acquired from acquisitions closed during, or subsequent to, the year ended December 31, 2008 of \$14.2 million and net price increases of \$9.2 million.

**Table of Contents**

Revenue in our Southern segment increased \$36.3 million, or 12.9%, to \$318.6 million for the year ended December 31, 2010, from \$282.3 million for the year ended December 31, 2009. For the year ended December 31, 2010, the components of the revenue increase consisted of revenue acquired from acquisitions closed during, or subsequent to, the year ended December 31, 2009 of \$27.4 million, net price increases of \$10.8 million and recyclable commodity sales increases of \$1.2 million, partially offset by volume decreases of \$2.3 million and other revenue decreases of \$0.8 million.

Revenue in our Southern segment increased \$43.8 million, or 18.3%, to \$282.3 million for the year ended December 31, 2009, from \$238.5 million for the year ended December 31, 2008. For the year ended December 31, 2009, the components of the revenue increase consisted of revenue acquired from acquisitions closed during, or subsequent to, the year ended December 31, 2008 of \$54.8 million, net price increases of \$4.8 million and other revenue increases of \$0.7 million, partially offset by volume decreases of \$15.8 million and recyclable commodity sales decreases of \$0.7 million.

**Segment Operating Income before Depreciation, Amortization and Gain (Loss) on Disposal of Assets**

We entered into fuel hedge agreements in December 2008, with the fuel hedges commencing in January 2009. We did not begin allocating the realized losses on our diesel fuel expenses resulting from the fuel hedge agreements to our three geographic operating segments until January 1, 2010. Therefore, the segment operating income before depreciation, amortization and gain (loss) on disposal of assets information presented below has been adjusted to reflect the allocation of realized losses on our diesel fuel expenses to our three geographic operating segments for the year ended December 31, 2009.

Operating income before depreciation, amortization and gain (loss) on disposal of assets in our Western segment increased \$33.9 million, or 18.3%, to \$218.3 million for the year ended December 31, 2010, from \$184.4 million for the year ended December 31, 2009. The increase was primarily due to income generated from acquisitions closed during, or subsequent to, the year ended December 31, 2009, and the following changes at operations owned in the comparable periods in 2009 and 2010: increased revenues, decreased legal expenses and decreased fuel expenses due to lower realized losses on diesel fuel hedges allocated to the Western segment; partially offset by increased disposal expenses; increased third party trucking and transportation expenses; increased expenses associated with the cost of purchasing recyclable commodities; increased taxes on revenues; increased direct and administrative labor expenses; and increased truck, equipment and container repair expenses.

Operating income before depreciation, amortization and gain (loss) on disposal of assets in our Western segment increased \$28.8 million, or 18.5%, to \$184.4 million for the year ended December 31, 2009, from \$155.6 million for the year ended December 31, 2008. The increase was primarily due to income generated from acquisitions closed during, or subsequent to, the year ended December 31, 2008, and the following changes at operations owned in the comparable periods in 2008 and 2009: decreased labor expenses; decreased fuel expense; decreased third party trucking and transportation expenses; decreased major vehicle and equipment repairs; and decreased expenses associated with the cost of purchasing recyclable commodities; partially offset by decreased revenues at operations owned in the comparable periods, increased legal expenses and increased incentive compensation expenses.

Operating income before depreciation, amortization and gain (loss) on disposal of assets in our Central segment increased \$8.0 million, or 9.3%, to \$95.0 million for the year ended December 31, 2010, from \$87.0 million for the year ended December 31, 2009. The increase was primarily due to the following changes at operations owned in the comparable periods in 2009 and 2010: increased revenues and decreased fuel expenses due to lower realized losses on diesel fuel hedges allocated to the Central segment; partially offset by increased disposal expenses; increased third party trucking and transportation expenses; increased taxes on revenues; increased direct and administrative labor expenses and increased advertising expenses.

Operating income before depreciation, amortization and gain (loss) on disposal of assets in our Central segment increased \$7.6 million, or 9.6%, to \$87.0 million for the year ended December 31, 2009, from \$79.4 million for the year ended December 31, 2008. The increase was primarily due to income generated from acquisitions closed during, or subsequent to, the year ended December 31, 2008, and the following changes at operations owned in the comparable periods in 2008 and 2009: decreased labor expenses; decreased fuel expense; decreased major vehicle and equipment repairs; and decreased disposal and third party trucking and transportation expenses; partially offset by

decreased revenues.

**Table of Contents**

Operating income before depreciation, amortization and gain (loss) on disposal of assets in our Southern segment increased \$16.0 million, or 18.6%, to \$101.8 million for the year ended December 31, 2010, from \$85.8 million for the year ended December 31, 2009. The increase was primarily due to income generated from acquisitions closed during, or subsequent to, the year ended December 31, 2009, and the following changes at operations owned in the comparable periods in 2009 and 2010: increased revenues and decreased auto and workers' compensation insurance expenses; partially offset by increased disposal expenses; increased third party trucking and transportation expenses; increased direct and administrative labor expenses; and increased truck, equipment and container repair expenses.

Operating income before depreciation, amortization and gain (loss) on disposal of assets in our Southern segment increased \$14.6 million, or 20.6%, to \$85.8 million for the year ended December 31, 2009, from \$71.2 million for the year ended December 31, 2008. The increase was primarily due to income generated from acquisitions closed during, or subsequent to, the year ended December 31, 2008, and the following changes at operations owned in the comparable periods in 2008 and 2009: decreased labor expenses; decreased fuel expense; decreased disposal and third party trucking and transportation expenses; partially offset by decreased revenues.

Operating income before depreciation, amortization and gain (loss) on disposal of assets at Corporate increased \$1.6 million, or 42.7%, to \$5.3 million for the year ended December 31, 2010, from \$3.7 million for the year ended December 31, 2009. Our estimated recurring corporate expenses, which can vary from the actual amount of incurred corporate expenses, are allocated to our three geographic operating segments. The increase was primarily due to decreased legal expenses, decreased direct acquisition costs that were charged to expense and recording charges during the year ended December 31, 2009 to establish our liability for remaining rental expenses, net of estimated sublease rentals, at our prior corporate office facilities, partially offset by increased cash and stock-based incentive compensation expense.

Operating income before depreciation, amortization and gain (loss) on disposal of assets at Corporate decreased \$0.6 million, or 13.2%, to \$3.7 million for the year ended December 31, 2009, from \$4.3 million for the year ended December 31, 2008. Our estimated recurring corporate expenses, which can vary from the actual amount of incurred corporate expenses, are allocated to our three geographic operating segments. The net operating losses for the year ended December 31, 2009 were due primarily to charges recorded to establish or increase our liability for remaining rental expenses, net of estimated sublease rentals, at our prior corporate office facilities, direct acquisition costs that were charged to expense, realized losses on diesel fuel hedges which were not allocated to our three geographic operating segments, increased compensation expense resulting from increased deferred compensation plan liabilities due to improved market performance of employee deferred contributions and increased cash and stock-based incentive compensation expenses.

**Table of Contents****Results of Operations**

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

	Years Ended December 31,					
	2008	As a % of 2008 Revenues	2009	As a % of 2009 Revenues	2010	As a % of 2010 Revenues
Revenues	\$ 1,049,603	100.0%	\$ 1,191,393	100.0%	\$ 1,319,757	100.0%
Cost of operations	628,075	59.8	692,415	58.1	749,487	56.8
Selling, general and administrative	111,114	10.6	138,026	11.6	149,860	11.3
Depreciation	91,095	8.7	117,796	9.9	132,874	10.1
Amortization of intangibles	6,334	0.6	12,962	1.1	14,582	1.1
Loss (gain) on disposal of assets	629	0.1	(481)	(0.1)	571	0.1
Operating income	212,356	20.2	230,675	19.4	272,383	20.6
Interest expense	(43,102)	(4.1)	(49,161)	(4.1)	(40,134)	(3.0)
Interest income	3,297	0.4	1,413	0.1	590	0.1
Loss on extinguishment of debt					(10,193)	(0.8)
Other income (expense), net	(633)	(0.1)	(7,551)	(0.7)	2,830	0.2
Income tax provision	(56,775)	(5.4)	(64,565)	(5.4)	(89,334)	(6.8)
Net income attributable to noncontrolling interests	(12,240)	(1.2)	(986)	(0.1)	(1,038)	(0.1)
Net income attributable to Waste Connections	\$ 102,903	9.8%	\$ 109,825	9.2%	\$ 135,104	10.2%

**Years Ended December 31, 2010 and 2009**

**Revenues.** Total revenues increased \$128.4 million, or 10.8%, to \$1.32 billion for the year ended December 31, 2010, from \$1.19 billion for the year ended December 31, 2009.

Acquisitions closed during, or subsequent to, the year ended December 31, 2009, increased revenues by approximately \$62.9 million.

During the year ended December 31, 2010, the net increase in prices charged to our customers was \$34.4 million, consisting of \$31.8 million of core price increases and \$2.6 million of fuel, materials and environmental surcharges.

Volume increases in our existing business during the year ended December 31, 2010, increased revenues by approximately \$0.5 million. The net increase in volume was primarily attributable to increases in landfill volumes and roll off hauling activity for operations owned in the comparable periods, partially offset by declines in residential and commercial hauling activity. Our volume improved from a negative \$10.4 million and negative \$1.9 million during the three months ended March 31, 2010 and June 30, 2010, respectively, to a positive \$10.1 million and positive \$2.7 million during the three months ended September 30, 2010 and December 31, 2010, respectively, as a result of increased stability in our operating markets and revenues generated from landfill special waste projects.

Increased recyclable commodity volumes collected and increased recyclable commodity prices during the year ended December 31, 2010, increased revenues by \$24.6 million. The increase in recyclable commodity prices was primarily a result of the recovery of overseas demand for recyclable commodities, which had experienced significant year-over-year declines beginning near the end of 2008 and continuing through most of 2009.

Other revenues increased by \$6.0 million during the year ended December 31, 2010, primarily due to an increase in cargo volume at our intermodal operations.

Cost of Operations. Total cost of operations increased \$57.1 million, or 8.2%, to \$749.5 million for the year ended December 31, 2010, from \$692.4 million for the year ended December 31, 2009. The increase was primarily attributable to operating costs associated with acquisitions closed during, or subsequent to, the year ended December 31, 2009, and the following changes at operations owned in the comparable periods in 2009 and 2010: increased rail transportation expenses at our intermodal operations; increased third party trucking and transportation expenses due to increased waste disposal internalization and outsourcing these



**Table of Contents**

services; increased disposal expenses due to increased disposal rates and volumes; increased franchise fees and taxes on revenues due to increased tax rates and increased landfill volumes; increased expenses associated with the cost of purchasing recyclable commodities due to recyclable commodity pricing increases; increased labor expenses; increased truck, equipment and container repair expenses; increased property taxes and increased facility repairs; partially offset by decreased diesel fuel expense due primarily to the expiration at the end of 2009 of diesel fuel purchase contracts in which the diesel fuel contract price per gallon exceeded the diesel fuel retail price; decreased auto and workers' compensation expense under our high deductible insurance program due to a reduction in projected losses on open claims and a decrease in general liability insurance expenses due to reduced claims severity.

Cost of operations as a percentage of revenues decreased 1.3 percentage points to 56.8% for the year ended December 31, 2010, from 58.1% for the year ended December 31, 2009. The decrease as a percentage of revenues was primarily attributable to decreased fuel expense, decreased auto and workers' compensation expense, decreased general liability insurance expenses and price increases charged to our customers being higher, on a percentage basis, than certain expense increases recognized during the year ended December 31, 2010, partially offset by increased third party trucking and transportation expenses and increased rail transportation expenses.

**SG&A.** SG&A expenses increased \$11.9 million, or 8.6%, to \$149.9 million for the year ended December 31, 2010, from \$138.0 million for the year ended December 31, 2009. The increase was primarily the result of additional personnel from acquisitions closed during, or subsequent to, the year ended December 31, 2009, increased payroll and payroll-related expenses, increased cash and stock-based incentive compensation expense and increased advertising expenses, partially offset by a decrease in legal expenses, decreased direct acquisition expenses and decreased expenses associated with our prior corporate office facilities. During the year ended December 31, 2009, we incurred higher direct acquisition expenses due primarily to our acquisition of certain operations from Republic Services, Inc. SG&A expenses as a percentage of revenues decreased 0.3 percentage points to 11.3% for the year ended December 31, 2010, from 11.6% for the year ended December 31, 2009. The decrease as a percentage of revenues was primarily attributable to declines in the aforementioned charges for our prior corporate office facilities and direct acquisition expenses.

**Depreciation.** Depreciation expense increased \$15.1 million, or 12.8%, to \$132.9 million for the year ended December 31, 2010, from \$117.8 million for the year ended December 31, 2009. The increase was primarily attributable to depreciation and depletion associated with acquisitions closed during, or subsequent to, the year ended December 31, 2009, increased depletion expense at existing operations and increased depreciation expense associated with additions to our fleet and equipment purchased to support our existing operations.

Depreciation expense as a percentage of revenues increased 0.2 percentage points to 10.1% for the year ended December 31, 2010, from 9.9% for the year ended December 31, 2009, due primarily to increased depletion expense at acquired operations.

**Amortization of Intangibles.** Amortization of intangibles expense increased \$1.6 million, or 12.5%, to \$14.6 million for the year ended December 31, 2010, from \$13.0 million for the year ended December 31, 2009, due primarily to amortization on contracts, customer lists and other intangibles acquired during, or subsequent to, the year ended December 31, 2009.

**Loss (Gain) on Disposal of Assets.** Loss (gain) on disposal of assets increased \$1.1 million, to a loss of \$0.6 million for the year ended December 31, 2010, from a gain of \$0.5 million for the year ended December 31, 2009. On an aggregate basis, assets disposed in 2010 had a higher book carrying value relative to sales proceeds compared to assets disposed in 2009.

**Operating Income.** Operating income increased \$41.7 million, or 18.1%, to \$272.4 million for the year ended December 31, 2010, from \$230.7 million for the year ended December 31, 2009. The increase was primarily attributable to increased revenues, partially offset by increased operating costs, increased SG&A expense, and increased depreciation expense and amortization of intangibles expense.

Operating income as a percentage of revenues increased 1.2 percentage points to 20.6% for the year ended December 31, 2010, from 19.4% for the year ended December 31, 2009. The increase as a percentage of revenues was due to the previously described 1.3 percentage point decrease in cost of operations and 0.3 percentage point decrease in SG&A expense, partially offset by the 0.2 percentage point increase in depreciation expense and 0.2 percentage

point increase in loss (gain) on disposal of assets.

Interest Expense. Interest expense decreased \$9.1 million, or 18.4%, to \$40.1 million for the year ended December 31, 2010, from \$49.2 million for the year ended December 31, 2009. The decrease was primarily attributable to funding the redemption of our 2026 Notes with borrowings under our credit facility at lower interest rates, a reduction in the amortization of our debt discount on the redeemed 2026 Notes and reduced average borrowing rates on the portion of our credit facility borrowings not fixed under interest rate swap agreements.

**Table of Contents**

**Interest Income.** Interest income decreased \$0.8 million to \$0.6 million for the year ended December 31, 2010, from \$1.4 million for the year ended December 31, 2009, due to lower average cash balances. We maintained higher cash balances, primarily between January 2009 and April 2009, in order to fund acquisitions that closed during the second quarter of 2009.

**Loss on Extinguishment of Debt.** Loss on extinguishment of debt for the year ended December 31, 2010, consisted of an expense charge of \$9.7 million associated with the redemption of our 2026 Notes and a charge of \$0.5 million associated with the redemption of our Wasco Bonds.

**Other Income (Expense), Net.** Other income (expense), net increased \$10.4 million to an income balance of \$2.8 million for the year ended December 31, 2010, from an expense balance of \$7.6 million for the year ended December 31, 2009. During the year ended December 31, 2009, we recorded a \$9.2 million charge to other expense resulting from the termination of two interest rate swap agreements prior to their expiration.

**Income Tax Provision.** Income taxes increased \$24.7 million, or 38.4%, to \$89.3 million for the year ended December 31, 2010, from \$64.6 million for the year ended December 31, 2009.

Our effective tax rates for the year ended December 31, 2009 and 2010, were 36.8% and 39.6%, respectively.

During the year ended December 31, 2010, we recorded a \$1.2 million increase in the income tax provision associated with the reconciliation of the income tax provision to the 2009 federal and state tax returns, which were filed during 2010. We also recorded a reduction to the liability for uncertain tax positions of approximately \$0.6 million due to the expiration of certain statutes of limitations, which was recorded as a reduction to income tax expense. Additionally, during the year ended December 31, 2010, we recorded a \$1.5 million increase in the income tax provision associated with an adjustment in deferred tax liabilities resulting from a voter-approved increase in Oregon state income tax rates and changes to the geographic apportionment of our state income taxes and a \$0.4 million increase in the income tax provision associated with the disposal of certain assets that had no tax basis.

During the year ended December 31, 2009, we recorded a reduction to income tax expense of \$1.6 million, resulting from changes to the geographical apportionment of our state income taxes due to acquisitions closed in the current year and from current year changes to the state apportionment formulas used in certain states, and the reconciliation of the income tax provision to the 2008 federal and state tax returns, which were filed during 2009. Additionally, during the year ended December 31, 2009, we recorded a net reduction to the liability for uncertain tax positions of approximately \$0.8 million due to the expiration of certain statutes of limitations, which was recorded as a reduction to income tax expense.

Years Ended December 31, 2009 and 2008

**Revenues.** Total revenues increased \$141.8 million, or 13.5%, to \$1.19 billion for the year ended December 31, 2009, from \$1.05 billion for the year ended December 31, 2008.

Acquisitions closed during, or subsequent to, the year ended December 31, 2008, increased revenues by approximately \$203.6 million.

During the year ended December 31, 2009, the net increase in prices charged to our customers was \$27.7 million, consisting of \$49.6 million of core price increases, partially offset by a \$21.9 million reduction in surcharges primarily related to declining fuel costs.

Volume decreases in our existing business during the year ended December 31, 2009, reduced revenues by approximately \$64.2 million. The net decrease in volume was primarily attributable to declines in roll off activity and landfill and transfer station volumes for operations owned in the comparable periods as a result of the economic recession affecting the United States in 2009.

Lower recyclable commodity prices during the initial nine months of 2009, primarily a result of decreased overseas demand for recyclable commodities, partially offset by improved commodity pricing during the final three months of 2009, resulted in a net decrease to revenues of \$15.5 million during the year ended December 31, 2009. During the nine months ended September 30, 2009, the decrease in recyclable revenues from price declines was \$19.0 million. Commodity price improvements during the three months ended December 31, 2009 increased revenues by \$3.5 million.



**Table of Contents**

Other revenues decreased by \$9.8 million during the year ended December 31, 2009, primarily due to a decline in cargo volume at our intermodal operations.

**Cost of Operations.** Total cost of operations increased \$64.3 million, or 10.2%, to \$692.4 million for the year ended December 31, 2009, from \$628.1 million for the year ended December 31, 2008. The increase was attributable to operating costs associated with acquisitions closed during, or subsequent to, the year ended December 31, 2008, increased landfill operating and leachate disposal costs at certain landfills we own and an increase in auto and workers compensation expense under our high deductible insurance program due to a larger reduction in projected losses on open claims in 2008 compared to 2009, partially offset by decreased labor expenses due to headcount reductions at our operations owned in the comparable periods, decreased employee medical benefit expenses resulting from decreases in claims cost, decreased diesel fuel expense resulting from lower volumes consumed and lower prices, decreased major vehicle and equipment repairs, decreased disposal and third party trucking and transportation expenses due to decreased volumes and decreased expenses associated with the cost of purchasing recyclable commodities due to recyclable commodity pricing declines. We record adjustments to auto and workers compensation claim development costs based on changes in estimates of actuarially projected losses on open claims determined by our third party administrator's review and a third party actuarial review of our estimated insurance liability. During the years ended December 31, 2008 and 2009, adjustments recorded resulting from changes in estimates of actuarially projected losses on open claims resulted in reductions to insurance expense of \$3.0 million and \$1.2 million, respectively, which partially offset the overall increase in insurance expense discussed above.

Cost of operations as a percentage of revenues decreased 1.7 percentage points to 58.1% for the year ended December 31, 2009, from 59.8% for the year ended December 31, 2008. The decrease as a percentage of revenues was primarily attributable to decreased fuel prices, decreased third party trucking and transportation expenses and decreases in the cost of recyclable commodities, partially offset by increased auto and workers compensation expense and increased landfill leachate disposal expenses.

**SG&A.** SG&A expenses increased \$26.9 million, or 24.2%, to \$138.0 million for the year ended December 31, 2009, from \$111.1 million for the year ended December 31, 2008. The increase in SG&A expenses was primarily the result of additional personnel from acquisitions closed during, or subsequent to, the year ended December 31, 2008, increased cash and stock-based incentive compensation expense, increased compensation expense resulting from increased deferred compensation plan liabilities due to improved market performance of employee deferred contributions, increased legal expenses, recording a charge to increase our liability for remaining rental expenses, net of estimated sublease rentals, at our prior corporate office facilities, and charging direct acquisition costs to SG&A expense, partially offset by a decrease in bad debt expense.

SG&A expenses as a percentage of revenues increased 1.0 percentage point to 11.6% for the year ended December 31, 2009, from 10.6% for the year ended December 31, 2008. The increase as a percentage of revenues was primarily attributable to declines in revenues from operations owned in the comparable periods, increased cash and equity-based incentive compensation expenses, increased deferred compensation expense, increased legal expenses, the aforementioned expense charge for our former corporate office facilities and the aforementioned charge for direct acquisition costs.

**Depreciation.** Depreciation expense increased \$26.7 million, or 29.3%, to \$117.8 million for the year ended December 31, 2009, from \$91.1 million for the year ended December 31, 2008. The increase was primarily attributable to depreciation and depletion associated with acquisitions closed during, or subsequent to, the year ended December 31, 2008, and additions to our fleet and equipment purchased to support our existing operations, partially offset by reduced depletion expense at landfills owned during the years ended December 31, 2008 and 2009 due to lower landfill volumes.

Depreciation expense as a percentage of revenues increased 1.2 percentage points to 9.9% for the year ended December 31, 2009, from 8.7% for the year ended December 31, 2008. The increase in depreciation expense as a percentage of revenues was due to the impact of declines in revenues from operations owned in the comparable periods, coupled with the aforementioned increased depreciation expense at existing and acquired operations and increased depletion expense at acquired operations.

Amortization of Intangibles. Amortization of intangibles expense increased \$6.7 million, or 104.6%, to \$13.0 million for the year ended December 31, 2009, from \$6.3 million for the year ended December 31, 2008. Amortization of intangibles expense as a percentage of revenues increased 0.5 percentage points to 1.1% for the year ended December 31, 2009, from 0.6% for the year ended December 31, 2008. These increases were primarily attributable to amortization of contracts, customer lists and other intangibles acquired during, or subsequent to, the year ended December 31, 2008.

Operating Income. Operating income increased \$18.3 million, or 8.6%, to \$230.7 million for the year ended December 31, 2009, from \$212.4 million for the year ended December 31, 2008. The increase was primarily attributable to increased revenues and decreased losses on disposal of assets, partially offset by increased operating costs, increased SG&A expense, and increased depreciation expense and amortization of intangibles expense.

**Table of Contents**

Operating income as a percentage of revenues decreased 0.8 percentage points to 19.4% for the year ended December 31, 2009, from 20.2% for the year ended December 31, 2008. The decrease as a percentage of revenues was due to the previously described 1.0 percentage point increase in SG&A expense, combined 1.7 percentage point increase in depreciation expense and amortization of intangibles expense, partially offset by a 1.7 percentage point decrease in cost of operations and a 0.2 percentage point change resulting from the recognition of a gain on the disposal of assets during the year ended December 31, 2009.

**Interest Expense.** Interest expense increased \$6.1 million, or 14.1%, to \$49.2 million for the year ended December 31, 2009, from \$43.1 million for the year ended December 31, 2008. The increase was primarily attributable to increased average debt balances, partially offset by reduced average borrowing rates on the portion of our credit facility borrowings not fixed under interest rate swap agreements.

**Interest Income.** Interest income decreased \$1.9 million to \$1.4 million for the year ended December 31, 2009, from \$3.3 million for the year ended December 31, 2008. We maintained higher average cash balances in money market accounts during the three months ended December 31, 2008 and the three months ended March 31, 2009 in anticipation of funding the acquisition of certain operations from Republic Services, Inc. Due to a decline in rates of return on money market accounts, interest earned on our cash balances was higher in 2008, compared to 2009.

**Other Income (Expense), Net.** Other income (expense), net increased \$7.0 million to an expense balance of \$7.6 million for the year ended December 31, 2009, from an expense balance of \$0.6 million for the year ended December 31, 2008. The increase was primarily attributable to the termination of two of our interest rate swap agreements in conjunction with the issuance in October 2009 of our senior notes due 2019, partially offset by earnings on our mutual fund investments. We purchase investments in mutual funds to fund our obligations under our deferred compensation plan.

**Income Tax Provision.** Income taxes increased \$7.8 million, or 13.7%, to \$64.6 million for the year ended December 31, 2009, from \$56.8 million for the year ended December 31, 2008.

Our effective tax rates for the year ended December 31, 2008 and 2009 were 33.0% and 36.8%, respectively. As a result of our adoption of the new guidance on noncontrolling interests, effective January 1, 2009, the measurement of our effective tax rate has changed from previous years. The adoption of the noncontrolling interests guidance resulted in an increase in our Income before income tax provision due to the inclusion of Net income attributable to noncontrolling interests in this measure. Net income attributable to noncontrolling interests, or what was previously referred to as Minority Interests expense, was historically shown as an expense in arriving at Income before income tax provision. Under the new noncontrolling interests guidance, amounts reported as Net income attributable to noncontrolling interests are now reported net of any applicable taxes. Our 2008 effective tax rate has been remeasured and reported in a manner consistent with the current measurement approach.

During the year ended December 31, 2009, we recorded a reduction to income tax expense of \$1.6 million, resulting from changes to the geographical apportionment of our state income taxes due to acquisitions closed in the current year and from current year changes to the state apportionment formulas used in certain states and the reconciliation of the income tax provision to the 2008 federal and state tax returns, which were filed during 2009. Additionally, we recorded a net reduction to the liability for uncertain tax positions of approximately \$0.8 million due to the expiration of certain statutes of limitations, which was recorded as a reduction to income tax expense.

During the year ended December 31, 2008, we recorded a reduction to income tax expense of \$4.9 million, resulting primarily from changes to the geographical apportionment of our state income taxes, the reversal of certain tax contingencies for which the statutes 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.

**Net Income Attributable to Noncontrolling Interests.** Net income attributable to noncontrolling interests decreased \$11.2 million, or 91.9%, to \$1.0 million for the year ended December 31, 2009, from \$12.2 million for the year ended December 31, 2008. The decrease was primarily due to our acquisition in November 2008 of the remaining 49% interest in Pierce County Recycling, Composting and Disposal, LLC and Pierce County Landfill Management, Inc. ( PCRCDD ). During the year ended December 31, 2008, net income attributable to PCRCDD was \$11.4 million.





**Table of Contents****Liquidity and Capital Resources**

The following table sets forth certain cash flow information for the years ended December 31, 2008, 2009 and 2010 (in thousands):

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Net cash provided by operating activities	\$ 270,409	\$ 303,637	\$ 328,396
Net cash used in investing activities	(467,647)	(548,227)	(214,224)
Net cash provided by (used in) financing activities	452,204	(11,035)	(113,938)
Net increase (decrease) in cash and equivalents	254,966	(255,625)	234
Cash and equivalents at beginning of year	10,298	265,264	9,639
Cash and equivalents at end of year	\$ 265,264	\$ 9,639	\$ 9,873

**Operating Activities Cash Flows**

For the year ended December 31, 2010, net cash provided by operating activities was \$328.4 million. For the year ended December 31, 2009, net cash provided by operating activities was \$303.6 million. The \$24.8 million net increase in cash provided by operating activities was due primarily to the following:

- 1) An increase in net income of \$25.3 million;
- 2) An increase in depreciation and amortization expense of \$16.7 million;
- 3) A decrease in deferred taxes of \$11.8 million due primarily to the recognition during the year ended December 31, 2009, of tax benefits associated with a change in our tax method for deducting depreciation expense for certain landfills;
- 4) An increase in equity-based compensation expense of \$2.0 million;
- 5) A decrease of \$7.9 million attributable to an increase in the excess tax benefit associated with equity-based compensation, due to an increase in stock option exercises resulting in increased taxable income recognized by employees that is tax deductible to us; and
- 6) An increase in cash flows from operating assets and liabilities, net of effects from acquisitions, of \$1.3 million to cash provided by operating assets and liabilities of \$12.1 million for the year ended December 31, 2010, from cash provided by operating assets and liabilities of \$10.8 million for the year ended December 31, 2009. The significant components of the \$12.1 million in cash inflows from changes in operating assets and liabilities for the year ended December 31, 2010, include the following:
  - a) an increase from prepaid expenses and other current assets of \$3.3 million due primarily to decreases in prepaid income taxes and prepaid insurance expenses;
  - b) an increase from accrued liabilities of \$15.3 million due primarily to increased accruals for auto and workers compensation insurance claims, cash-based employee incentive compensation expense, payroll and payroll-related liabilities, partially offset by a decrease in accrued interest due to the redemption of the 2026 Notes in April 2010; less
  - c) a decrease from accounts payable of \$0.9 million due primarily to the timing of payments for capital expenditures and operating expenses; less
  - d) a decrease from accounts receivable of \$9.3 million due to increased revenues.

For the year ended December 31, 2009, net cash provided by operating activities was \$303.6 million. For the year ended December 31, 2008, net cash provided by operating activities was \$270.4 million. The \$33.2 million net increase in cash provided by operating activities was primarily due to the following:

- 1) An increase in depreciation and amortization expense of \$33.3 million;
- 2) An increase in deferred taxes of \$7.9 million primarily due to an increase in tax deductible timing differences for depreciation and amortization expenses and to recording basis differences for certain assets related to acquisitions;
- 3)

An increase of \$2.4 million attributable to a decrease in the excess tax benefit associated with equity-based compensation, due to a reduction in stock option exercises resulting in reduced taxable income recognized by employees that is tax deductible to us;

- 4) A decrease in net income of \$4.3 million; and

**Table of Contents**

- 5) A decrease in cash flows from operating assets and liabilities, net of effects from acquisitions, of \$7.6 million to cash provided by operating assets and liabilities of \$10.8 million for the year ended December 31, 2009, from cash provided by operating assets and liabilities of \$18.4 million for the year ended December 31, 2008. The significant components of the \$10.8 million in cash inflows from changes in operating assets and liabilities for the year ended December 31, 2009, include the following:
- a) an increase from accounts payable of \$13.2 million due primarily to the timing of payments for operating activities;
  - b) an increase from accrued liabilities of \$6.5 million due primarily to increased accruals for cash-based employee incentive compensation expense, increased accruals for employee benefits, increased accruals for interest expense due to the timing of interest payments under new debt instruments issued in 2009, increased accruals for property taxes and increased accruals for auto and workers compensation claims due to the timing of claims incurred;
  - c) an increase from other long-term liabilities of \$3.8 million due primarily to increased deferred compensation plan liabilities resulting from employee contributions and plan earnings; less
  - d) a decrease from accounts receivable of \$4.3 million due to increased revenues, partially offset by an improvement in accounts receivable turnover in 2009; less
  - e) a decrease from prepaid expenses and other current assets of \$8.0 million due primarily to an increase in prepaid income taxes and prepaid insurance premiums.

As of December 31, 2010, we had a working capital deficit of \$38.0 million, including cash and equivalents of \$9.9 million. Our working capital deficit decreased \$7.1 million from \$45.1 million at December 31, 2009. To date, we have experienced no loss or lack of access to our cash or cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with stock repurchase and dividend programs, to reduce our indebtedness under our credit facility and to minimize our cash balances.

**Investing Activities Cash Flows**

Net cash used in investing activities decreased \$334.0 million to \$214.2 million for the year ended December 31, 2010, from \$548.2 million for the year ended December 31, 2009. The significant components of the decrease include the following:

- 1) A decrease in payments for acquisitions of \$339.0 million; less
- 2) An increase in capital expenditures for property and equipment of \$6.6 million due to increases in site costs for various landfills, construction of buildings for operational facilities and purchase of containers, land and land improvements, partially offset by a decrease in truck and equipment purchases.

Net cash used in investing activities increased \$80.6 million to \$548.2 million for the year ended December 31, 2009, from \$467.6 million for the year ended December 31, 2008. The significant components of the increase include the following:

- 1) An increase in payments for acquisitions of \$64.9 million; and
- 2) An increase in capital expenditures for property and equipment of \$14.8 million due to growth from acquisitions and the acceleration of certain planned 2010 capital expenditures into 2009 in order to take advantage of accelerated tax deduction benefits.

**Financing Activities Cash Flows**

Net cash used in financing activities increased \$102.9 million to \$113.9 million for the year ended December 31, 2010, from \$11.0 million for the year ended December 31, 2009. The significant components of the increase include the following:

- 1) An increase in payments to repurchase our common stock of \$103.7 million;
- 2) A decrease in net long-term borrowings of \$8.9 million due to increased availability of operating cash flow after funding operations, acquisitions, capital expenditures, stock repurchases and dividend payments;
- 3) An increase in stock dividends paid of \$8.6 million with the initiation of a quarterly stock dividend in 2010; less

- 4) A change in book overdraft of \$7.5 million resulting from fluctuations in our outstanding cash balances at banks for which outstanding check balances can be offset; less
- 5) An increase in proceeds from option and warrant exercises of \$17.7 million due to an increase in the number of options and warrants exercised in the year ended December 31, 2010; less
- 6) An increase in the excess tax benefit associated with equity-based compensation of \$7.9 million, due to the aforementioned increase in options and warrants exercised in the year ended December 31, 2010, which resulted in increased taxable income, recognized by employees, that is tax deductible by us.

**Table of Contents**

Net cash flows from financing activities decreased \$463.2 million to a net cash used in financing activities total of \$11.0 million for the year ended December 31, 2009, from a net cash provided by financing activities total of \$452.2 million for the year ended December 31, 2008. The significant components of the decrease include the following:

- 1) Net proceeds from the sale of stock in a public offering of \$393.9 million during the year ended December 31, 2008. There were no sales of stock in a public offering during the year ended December 31, 2009;
- 2) A decrease in net long-term borrowings of \$53.6 million, with the net proceeds primarily used to fund acquisition opportunities;
- 3) An increase in payments to repurchase our common stock of \$31.1 million;
- 4) A decrease in proceeds from option and warrant exercises of \$3.7 million due to a decrease in the number of options and warrants exercised in 2009; less
- 5) A change in book overdraft of \$12.3 million resulting from fluctuations in our outstanding cash balances at banks for which outstanding check balances can be offset; less,
- 6) A decrease in the amounts distributed to non-controlling interests of \$8.2 million due to the aforementioned purchase of the remaining 49% interest in PCRCO.

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

Our Board of Directors has authorized a common stock repurchase program for the repurchase of up to \$800.0 million of our common stock through December 31, 2012. 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 our capital structure, the market price of the common stock and overall market conditions. As of December 31, 2009 and 2010, we had repurchased in aggregate 28.6 million and 35.4 million shares, respectively, of our common stock at an aggregate cost of \$482.4 million and \$648.6 million, respectively. As of December 31, 2010, the remaining maximum dollar value of shares available for purchase under the program was approximately \$151.4 million. Subsequent to December 31, 2010, we repurchased an additional 0.8 million shares of our common stock at a cost of \$20.6 million.

On October 19, 2010, our Board of Directors authorized a three-for-two split of our common stock, in the form of a 50% stock dividend, payable to stockholders of record as of October 29, 2010. Shares resulting from the split were issued on November 12, 2010. In connection therewith, we transferred \$0.4 million 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 2,479 whole shares were repurchased for \$0.1 million. All share and per share amounts for all periods presented have been retroactively adjusted to reflect the stock split.

In addition, on October 19, 2010, our Board of Directors authorized the initiation of a quarterly cash dividend of \$0.075 per share, as adjusted for the three-for-two stock split described above. The initial quarterly cash dividend totaling \$8.6 million was paid on November 12, 2010 to the stockholders of record as of the close of business on October 29, 2010. We funded the dividend payment out of cash on hand and cash generated by operating activities. The Board will review the cash dividend periodically, with a long-term objective of increasing the amount of the dividend. We cannot assure you as to the amounts or timing of future dividends.

We made \$134.8 million in capital expenditures during the year ended December 31, 2010. We expect to make capital expenditures between \$130 million and \$135 million in 2011 in connection with our existing business. We intend to fund our planned 2011 capital expenditures principally through internally generated funds and borrowings under our credit facility. In addition, we may make substantial additional capital expenditures in acquiring solid waste collection and disposal businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, credit facility and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit

markets could adversely affect our ability to draw on our credit facility or raise other capital. Our access to funds under the credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

We have an \$845 million senior revolving credit facility, or the credit facility, with a syndicate of banks for which Bank of America, N.A. acts as agent. As of December 31, 2008, \$400.0 million was outstanding under the credit facility, exclusive of outstanding standby letters of credit of \$81.4 million. As of December 31, 2009, \$269.0 million was outstanding under the credit facility, exclusive of outstanding standby letters of credit of \$87.1 million. As of December 31, 2010, \$511.0 million was outstanding under the credit facility, exclusive of outstanding standby letters of credit of \$82.9 million.

**Table of Contents**

Under the credit facility, there is no maximum amount of standby letters of credit that can be issued; however, the issuance of standby letters of credit reduces the amount of total borrowings available. The credit facility requires us to pay a commitment fee ranging from 0.15% to 0.20% of the unused portion of the facility. The borrowings under the credit facility bear interest, at our option, at either the base rate plus the applicable base rate margin on base rate loans, or the Eurodollar rate plus the applicable Eurodollar margin on Eurodollar loans. The base rate for any day is a fluctuating rate per annum equal to the higher of: (1) the federal funds rate plus one half of one percent (0.5%); and (2) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its prime rate. The Eurodollar rate is determined by the administrative agent pursuant to a formula in the credit agreement governing the credit facility. The applicable margins under the credit facility vary depending on our leverage ratio, as defined in the credit agreement, and range from 0.625% to 1.125% for Eurodollar loans and 0.00% for base rate loans. The credit facility matures in September 2012. The borrowings under the credit facility are not collateralized. The credit agreement governing the credit facility contains representations and warranties and places certain business, financial and operating restrictions on us relating to, among other things, indebtedness, liens and other encumbrances, investments, mergers and acquisitions, asset sales, sale and leaseback transactions, and dividends, distributions and redemptions of capital stock. The credit facility requires that we maintain specified financial ratios. As of December 31, 2009 and 2010, we were in compliance with all applicable covenants under the credit facility. We expect to be in compliance with all applicable covenants under the credit facility for the next 12 months. We use the credit facility for acquisitions, capital expenditures, working capital, standby letters of credit and general corporate purposes.

On March 20, 2006, we completed the offering of \$200 million aggregate principal amount of our 3.75% Convertible Senior Notes due 2026, or the 2026 Notes, pursuant to a private placement. The 2026 Notes were convertible into cash and, if applicable, shares of our common stock based on an initial conversion rate of 44.1177 shares of common stock per \$1,000 principal amount of 2026 Notes (which was equal to an initial conversion price of approximately \$22.67 per share), subject to adjustment, and only under certain circumstances. Upon a surrender of the 2026 Notes for conversion, we were required to deliver cash equal to the lesser of the aggregate principal amount of notes to be converted or our total conversion obligation.

On April 1, 2010, we redeemed the \$200 million aggregate principal amount of the 2026 Notes. Holders of the notes chose to convert a total of \$22.7 million principal amount of the notes. In addition to paying the principal amount of these notes with proceeds from our credit facility, we issued 32,859 shares of our common stock in connection with the conversion and redemption. We redeemed the balance of \$177.3 million principal amount of the notes with proceeds from our credit facility. All holders of the notes also received accrued interest and an interest make-whole payment. As a result of the redemption, we recognized \$9.7 million of pre-tax expense (\$6.0 million net of taxes) in April 2010.

On July 15, 2008, we entered into a Master Note Purchase Agreement with certain accredited institutional investors pursuant to which we issued and sold to the investors at a closing on October 1, 2008, \$175 million of senior uncollateralized notes due October 1, 2015, or the 2015 Notes, in a private placement. The 2015 Notes bear interest at the fixed rate of 6.22% per annum with interest payable in arrears semi-annually on April 1 and October 1 beginning on April 1, 2009, and with principal payable at the maturity of the 2015 Notes on October 1, 2015. The 2015 Notes are uncollateralized obligations and rank equally with obligations under our credit facility. The 2015 Notes are subject to representations, warranties, covenants and events of default. Upon the occurrence of an event of default, payment of the 2015 Notes may be accelerated by the holders of the 2015 Notes. The 2015 Notes may also be prepaid by us at any time at par plus a make-whole amount determined in respect of the remaining scheduled interest payments on the 2015 Notes, using a discount rate of the then current market standard for United States treasury bills plus 0.50%. In addition, we will be required to offer to prepay the 2015 Notes upon certain changes in control.

On October 26, 2009, we entered into a First Supplement to the Master Note Purchase Agreement with certain accredited institutional investors pursuant to which we issued and sold to the investors on that date \$175 million of senior uncollateralized notes due November 1, 2019, or the 2019 Notes, in a private placement. The 2019 Notes bear interest at the fixed rate of 5.25% per annum with interest payable in arrears semi-annually on May 1 and November 1 beginning on May 1, 2010, and with principal payable at the maturity of the 2019 Notes on November 1, 2019. The

2019 Notes are uncollateralized obligations and rank equally with the 2015 Notes and obligations under our credit facility. The 2019 Notes are subject to representations, warranties, covenants and events of default. Upon the occurrence of an event of default, payment of the 2019 Notes may be accelerated by the holders of the 2019 Notes. The 2019 Notes may also be prepaid by us at any time at par plus a make-whole amount determined in respect of the remaining scheduled interest payments on the 2019 Notes, using a discount rate of the then current market standard for United States treasury bills plus 0.50%. In addition, we will be required to offer to prepay the 2019 Notes upon certain changes in control.

On November 24, 2010, we entered into an amendment to the Master Note Purchase Agreement increasing the aggregate principal amount of senior unsecured notes issuable under the Master Note Purchase Agreement from \$500 million to \$750 million. No other changes were made in the amendment.



**Table of Contents**

We may issue additional series of senior uncollateralized notes pursuant to the terms and conditions of the Master Note Purchase Agreement, as amended, provided that the purchasers of the 2015 Notes and the 2019 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, the 2019 Notes and any additional notes issued pursuant to the Master Note Purchase Agreement shall not exceed \$750 million.

As of December 31, 2010, we had the following contractual obligations (in thousands):

<b>Recorded Obligations</b>	<b>Total</b>	<b>Payments Due by Period</b>			
		<b>Less Than 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>Over 5 years</b>
Long-term debt	\$ 912,635	\$ 2,657	\$ 515,717	\$ 180,072	\$ 214,189
Cash interest payments	162,440	32,466	49,366	41,325	39,283

Long-term debt payments include:

- 1) \$511.0 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, 2010) on base rate loans, or the Eurodollar rate plus the applicable Eurodollar margin (approximately 0.89% at December 31, 2010) on Eurodollar loans. As of December 31, 2010, our credit facility allowed us to borrow up to \$845 million.
- 2) \$175.0 million in principal payments due 2019 related to our 2019 Notes. Holders of the 2019 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2019 Notes plus accrued and unpaid interest, if any, upon a change in control, as defined in the Master Note Purchase Agreement. The 2019 Notes bear interest at a rate of 5.25%.
- 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) \$39.4 million in principal payments related to our tax-exempt bonds, which bear interest at variable rates (between 0.33% and 0.41%) at December 31, 2010. The tax-exempt bonds have maturity dates ranging from 2012 to 2033.
- 5) \$9.2 million in principal payments related to our notes payable to sellers. Our notes payable to sellers bear interest at rates between 2.50% and 10.35% at December 31, 2010, and have maturity dates ranging from 2012 to 2036.
- 6) \$3.1 million in principal payments related to our notes payable to third parties. Our notes payable to third parties bear interest at rates between 6.7% and 10.9% at December 31, 2010, and have maturity dates ranging from 2012 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, 2010. 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 swaps.

The total liability for uncertain tax positions at December 31, 2010, was approximately \$0.4 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 this liability within the next year.

	<b>Amount of Commitment Expiration Per Period</b>				
	(amounts in thousands)				
<b>Unrecorded Obligations<sup>(1)</sup></b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1 to 3 Years</b>	<b>3 to 5 Years</b>	<b>Over 5 Years</b>
Operating leases	\$ 72,123	\$ 10,090	\$ 18,137	\$ 12,703	\$ 31,193

- (1) We are party to operating lease agreements as discussed in Note 10 to the consolidated financial statements. These lease agreements are established in the ordinary course of our business and are designed to provide us with access to facilities at competitive, market-driven prices. These arrangements have not materially affected our financial position, results of operations or liquidity during the year ended December 31, 2010, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

**Table of Contents**

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, 2010, 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 reporting units would not be impaired by such dispositions, we could incur losses on them.

**New Accounting Pronouncements**

See Note 1 to the consolidated financial statements for a description of the new accounting standards that are applicable to us.

**Non-GAAP Financial Measures****Free Cash Flow**

We present free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. We define free cash flow as net cash provided by operating activities, plus proceeds from disposal of assets, plus or minus change in book overdraft, plus excess tax benefit associated with equity-based compensation, less capital expenditures for property and equipment and distributions to noncontrolling interests. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Management uses free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. Other companies may calculate free cash flow differently. Our free cash flow for the years ended December 31, 2009 and 2010, is calculated as follows (amounts in thousands):

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2010</b>
Net cash provided by operating activities	\$ 303,637	\$ 328,396
Plus: Change in book overdraft	7,802	279
Plus: Proceeds from disposal of assets	5,061	6,659
Plus: Excess tax benefit associated with equity-based compensation	4,054	11,997
Less: Capital expenditures for property and equipment	(128,251)	(134,829)
Free cash flow	\$ 192,303	\$ 212,502

**Table of Contents****Adjusted Operating Income Before Depreciation and Amortization**

We present adjusted operating income before depreciation and amortization, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. We define adjusted operating income before depreciation and amortization as operating income, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any gain or loss on disposal of assets. We further adjust this calculation to exclude the effects of items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Management uses adjusted operating income before depreciation and amortization as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. Other companies may calculate adjusted operating income before depreciation and amortization differently. Our adjusted operating income before depreciation and amortization for the years ended December 31, 2008, 2009 and 2010, is calculated as follows (amounts in thousands):

	<b>Years ended December 31,</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Operating income	\$ 212,356	\$ 230,675	\$ 272,383
Plus: Depreciation and amortization	97,429	130,758	147,456
Plus: Closure and post-closure accretion	1,400	2,055	1,766
Plus/less: Loss (gain) on disposal of assets	629	(481)	571
Adjustments:			
Plus: Acquisition-related transaction costs (a)	1,500	3,987	2,081
Plus: Loss on prior corporate office lease (b)		1,839	
Adjusted operating income before depreciation and amortization	\$ 313,314	\$ 368,833	\$ 424,257

(a) Reflects the addback of acquisition-related costs expensed due to the implementation of accounting guidance for business combinations effective January 1, 2009.

(b) Reflects the addback of a loss on our prior corporate office lease due to the relocation of our corporate offices.

**Inflation**

Other than volatility in fuel prices, inflation has not materially affected our operations in recent years. 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 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.

**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 over the unhedged fuel and variable rate debt positions.



**Table of Contents**

At December 31, 2010, our derivative instruments included five 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):

<b>Date Entered</b>	<b>Notional Amount</b>	<b>Fixed Interest Rate Paid*</b>	<b>Variable Interest Rate Received</b>	<b>Effective Date</b>	<b>Expiration Date</b>
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	\$ 50,000	4.29%	1-month LIBOR	June 2009	June 2011
March 2009	\$ 175,000	2.85%	1-month LIBOR	February 2011	February 2014

\* plus applicable margin.

Under derivatives and hedging guidance, 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.

On October 26, 2009, we terminated two of our interest rate swap agreements in conjunction with issuing our 2019 Notes. We terminated an interest rate swap in the amount of \$75 million that would have expired in March 2011 and an interest rate swap in the amount of \$100 million that would have expired in June 2011. As a result of terminating these interest rate swaps, we made a cash payment of \$9.2 million to the counterparty of the swap agreements. Further, because we used the proceeds of the 2019 Notes to reduce the borrowings under our senior uncollateralized revolving credit facility, it is no longer probable that the forecasted transactions that were being hedged by these interest rate swap agreements will occur. Therefore, we recorded a charge of \$9.2 million to other expense in the fourth quarter of 2009.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate 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, 2009 and 2010, of \$84.3 million and \$325.4 million, respectively, including floating rate debt under our credit facility and floating rate municipal bond obligations. A one percentage point increase in interest rates on our variable-rate debt as of December 31, 2009 and 2010, would decrease our annual pre-tax income by approximately \$0.8 million and \$3.3 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, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. We purchase approximately 25 million gallons of diesel fuel per year; therefore, 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 2008, we entered into multiple fuel hedge agreements related to forecasted diesel fuel purchases.

At December 31, 2010, our derivative instruments included two fuel hedge agreements as follows:

<b>Date Entered</b>	<b>Notional Amount (in gallons per month)</b>	<b>Diesel Rate Paid Fixed (per gallon)</b>	<b>Diesel Rate Received Variable</b>	<b>Effective Date</b>	<b>Expiration Date</b>
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 number of gallons) from the counterparty. If the average price is less than the contract price per gallon, we pay the difference to the counterparty.

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

**Table of Contents**

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged 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. For the year ending December 31, 2011, we expect to purchase approximately 25 million gallons of diesel fuel, of which 20.2 million gallons will be purchased at market prices and 4.8 million gallons will be purchased at prices that are fixed under our fuel hedges. With respect to the approximately 20.2 million gallons of unhedged diesel fuel we expect to purchase in 2011 at market prices, a \$0.10 per gallon increase in the price of fuel over the year would decrease our pre-tax income during this period by approximately \$2.0 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 39 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. To illustrate the effect 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 year ended December 31, 2009 and 2010, would have had a \$2.7 million and \$4.6 million impact on revenues for the year ended December 31, 2009 and 2010, respectively.



**Table of Contents**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**  
**WASTE CONNECTIONS, INC.**

Report of Independent Registered Public Accounting Firm

Page  
52