WASTE CONNECTIONS, INC.
Form 10-Q
April 26, 2011

Table of Contents

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

(Mark One)

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

For the quarterly period ended March 31, 2011

Or

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

For the transition period from __________ to __________

Commission file number 1-31507

WASTE CONNECTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-3283464

(I.R.S. Employer Identification No.)

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

(916) 608-8200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

þ Large accelerated filer o Accelerated filer o Non-accelerated filer o 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 o No þ

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

As of April 15, 2011: 113,578,838 shares of common stock

WASTE CONNECTIONS, INC.
FORM 10-Q
TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

WASTE CONNECTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share amounts)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and equivalents	$ 11,093	$ 9,873
Accounts receivable, net of allowance for doubtful accounts of $4,548 and $5,084 at March 31, 2011 and December 31, 2010, respectively	149,485	152,156
Deferred income taxes	12,233	20,130
Prepaid expenses and other current assets	33,546	33,402
Total current assets	206,357	215,561
Property and equipment, net	1,318,704	1,337,476
Goodwill	928,632	927,852
Intangible assets, net	377,092	381,475
Restricted assets	27,716	30,441
Other assets, net	23,902	23,179
	$ 2,882,403	$ 2,915,984
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 66,753	$ 85,252
Book overdraft	12,380	12,396
Accrued liabilities	96,380	99,075
Deferred revenue	54,408	54,157
Current portion of long-term debt and notes payable	2,678	2,657
Total current liabilities	232,599	253,537
Long-term debt and notes payable	872,282	909,978
Other long-term liabilities	47,658	47,637
Deferred income taxes	348,777	334,414
Total liabilities	1,501,316	1,545,566
Commitments and contingencies (Note 14)		
Equity:		
Preferred stock: $0.01 par value per share; 7,500,000 shares authorized; none issued and outstanding		
	1,136	1,139

Common stock: $0.01 par value per share; 150,000,000 shares authorized; 113,578,009 and 113,950,081 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively		
Additional paid-in capital	488,710	509,218
Accumulated other comprehensive income (loss)	482	(3,095)
Retained earnings	886,911	858,887
Total Waste Connections equity	1,377,239	1,366,149
Noncontrolling interests	3,848	4,269
Total equity	1,381,087	1,370,418
	$ 2,882,403	$ 2,915,984

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

Table of Contents

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

	Three months ended March 31, 2011	2010
Revenues	$ 331,468	$ 307,540
Operating expenses:		
Cost of operations	187,066	176,990
Selling, general and administrative	38,838	35,658
Depreciation	33,037	31,444
Amortization of intangibles	3,977	3,585
Loss (gain) on disposal of assets	(25)	257
Operating income	68,575	59,606
Interest expense	(8,833)	(12,262)
Interest income	134	154
Other income, net	394	179
Income before income tax provision	60,270	47,677
Income tax provision	(23,477)	(19,863)
Net income	36,793	27,814
Less: Net income attributable to noncontrolling interests	(254)	(240)
Net income attributable to Waste Connections	$ 36,539	$ 27,574
Earnings per common share attributable to Waste Connections common stockholders:		
Basic	$ 0.32	$ 0.24
Diluted	$ 0.32	$ 0.23
Shares used in the per share calculations:		
Basic	113,519,266	116,560,332
Diluted	114,401,304	118,014,102
Cash dividends per common share	$ 0.075	$

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

Table of Contents

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2011
(Unaudited)
(In thousands, except share amounts)

		Waste Connections Equity						
	Comprehensive Income	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2010		113,950,081	$ 1,139	$ 509,218	$ (3,095)	$ 858,887	$ 4,269	$ 1,370,418
Vesting of restricted stock units		510,060	5	(5)				
Tax withholdings related to net share settlements of restricted stock units		(175,871)	(2)	(5,167)				(5,169)
Equity-based compensation				2,996				2,996
Exercise of stock options and warrants		44,744	1	436				437
Excess tax benefit associated with equity-based compensation				1,838				1,838
Repurchase of common stock		(751,005)	(7)	(20,606)				(20,613)
Cash dividends on common stock						(8,515)		(8,515)
Amounts reclassified into earnings, net of taxes					654			654
Changes in fair value of swaps, net of taxes					2,923			2,923
Distributions to noncontrolling interests							(675)	(675)
Net income	$ 36,793					36,539	254	36,793
Other comprehensive	5,770							

income								
Income tax effect of other comprehensive income	(2,193)							
Comprehensive income	40,370							
Comprehensive income attributable to noncontrolling interests	(254)							
Comprehensive income attributable to Waste Connections	$ 40,116							
Balances at March 31, 2011		113,578,009	$ 1,136	$ 488,710	$ 482	$ 886,911	$ 3,848	$ 1,381,087

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

Table of Contents

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2010
(Unaudited)
(In thousands, except share amounts)

	Comprehensive Income	Common Stock Shares	Common Stock Amount	Waste Connections Equity: Additional Paid-In Capital	Waste Connections Equity: Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2009		117,898,624	$ 786	$ 625,173	$ (4,892)	$ 732,738	$ 3,231	$ 1,357,036
Vesting of restricted stock units		475,083	3	(3)				
Tax withholdings related to net share settlements of restricted stock units		(164,724)	(1)	(3,513)				(3,514)
Equity-based compensation				2,940				2,940
Exercise of stock options and warrants		503,438	3	4,949				4,952
Excess tax benefit associated with equity-based compensation				2,478				2,478
Repurchase of common stock		(2,266,551)	(15)	(49,781)				(49,796)
Amounts reclassified into earnings, net of taxes					2,349			2,349
Changes in fair value of swaps, net of taxes					(2,732)			(2,732)
Net income	$ 27,814					27,574	240	27,814
Other comprehensive loss	(643)							
Income tax effect of other comprehensive loss	260							
Comprehensive income	27,431							
Comprehensive income attributable	(240)							

to noncontrolling interests									
Comprehensive income attributable to Waste Connections	$ 27,191								
Balances at March 31, 2010		116,445,870	$ 776	$ 582,243	$ (5,275)	$ 760,312	$ 3,471	$ 1,341,527

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

Table of Contents

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

	Three months ended March 31, 2011	2010
Cash flows from operating activities:		
Net income	$ 36,793	$ 27,814
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on disposal of assets	(25)	257
Depreciation	33,037	31,444
Amortization of intangibles	3,977	3,585
Deferred income taxes, net of acquisitions	20,068	5,935
Amortization of debt issuance costs	242	848
Amortization of debt discount		1,245
Equity-based compensation	2,996	2,940
Interest income on restricted assets	(121)	(133)
Closure and post-closure accretion	484	441
Excess tax benefit associated with equity-based compensation	(1,838)	(2,478)
Net change in operating assets and liabilities, net of acquisitions	(7,235)	11,782
Net cash provided by operating activities	88,378	83,680
Cash flows from investing activities:		
Payments for acquisitions, net of cash acquired	(914)	(1,819)
Capital expenditures for property and equipment	(19,528)	(26,754)
Proceeds from disposal of assets	789	802
Decrease (increase) in restricted assets, net of interest income	2,846	(379)
Decrease (increase) in other assets	36	(349)
Net cash used in investing activities	(16,771)	(28,499)
Cash flows from financing activities:		
Proceeds from long-term debt	54,000	60,000
Principal payments on notes payable and long-term debt	(91,674)	(63,613)
Change in book overdraft	(16)	(981)
Proceeds from option and warrant exercises	437	4,952
Excess tax benefit associated with equity-based compensation	1,838	2,478
Payments for repurchase of common stock	(20,613)	(49,796)
Payments for cash dividends	(8,515)	
Tax withholdings related to net share settlements of restricted stock units	(5,169)	(3,514)
Distributions to noncontrolling interests	(675)	
Net cash used in financing activities	(70,387)	(50,474)

Net increase in cash and equivalents		1,220		4,707
Cash and equivalents at beginning of period		9,873		9,639
Cash and equivalents at end of period	$	11,093	$	14,346
Non-cash financing activity:				
Liabilities assumed and notes payable issued to sellers of businesses acquired	$	452	$	312

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

Table of Contents

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

1. BASIS OF PRESENTATION AND SUMMARY

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries (WCI or the Company) for the three month periods ended March 31, 2011 and 2010. In the opinion of management, the accompanying balance sheets and related interim statements of income, cash flows and equity and comprehensive income include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with U.S. generally accepted accounting principles (GAAP). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Examples include accounting for landfills, self-insurance, income taxes, allocation of acquisition purchase price and asset impairments. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with the accounting guidance on contingencies. Actual results for all estimates could differ materially from the estimates and assumptions that the Company uses in the preparation of its condensed consolidated financial statements.

Interim results are not necessarily indicative of results for a full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

2. RECLASSIFICATION

Certain amounts reported in the Company s prior period s financial statements have been reclassified to conform with the 2011 presentation.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company s financial instruments consist primarily of cash, trade receivables, restricted assets, trade payables, debt instruments, interest rate swaps and fuel hedges. As of March 31, 2011 and December 31, 2010, the carrying values of cash, trade receivables, restricted assets, and trade payables are considered to be representative of their respective fair values. The carrying values of the Company s debt instruments, excluding the 6.22% Senior Notes due 2015 (the 2015 Notes) and the 5.25% Senior Notes due 2019 (the 2019 Notes), approximate their fair values as of March 31, 2011 and December 31, 2010, based on current borrowing rates for similar types of borrowing arrangements. The Company s 2015 Notes had a carrying value of $175,000 and a fair value of approximately $194,548 and $198,300 at March 31, 2011 and December 31, 2010, respectively, based on quotes of bonds with similar ratings in similar industries. The Company s 2019 Notes had a carrying value of $175,000 and a fair value of approximately $188,598 and $191,316 at March 31, 2011 and December 31, 2010, respectively, based on quotes of bonds with similar ratings in similar industries. For details on the fair value of the Company s interest rate swaps and fuel hedges, refer to Note 11.

4. LANDFILL ACCOUNTING

At March 31, 2011, the Company owned 35 landfills, and operated, but did not own, four landfills under life-of-site operating agreements and five landfills under limited-term operating agreements. The Company s landfills had site costs with a net book value of $746,284 at March 31, 2011. With the exception of two owned landfills that only accept construction and demolition and other non-putrescible waste, all landfills that the Company owns or operates are municipal solid waste landfills. For the Company s five landfills operated under limited-term operating agreements, the owner of the property (generally a municipality) usually owns the permit and the Company operates 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. The Company is responsible for all final capping, closure and post-closure liabilities at three of the four landfills that it operates under life-of-site operating agreements.

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

The Company s internal and third-party engineers perform surveys at least annually to estimate the remaining disposal capacity at its landfills. Many of the Company s existing landfills have the potential for expanded disposal capacity beyond the amount currently permitted. The Company s landfill depletion rates are based on the remaining disposal capacity, considering both permitted and probable expansion airspace, at the landfills it owns, and certain landfills it operates, but does not own, under life-of-site agreements. Expansion airspace consists of additional disposal capacity being pursued through means of an expansion that is not actually permitted. Expansion airspace that meets certain criteria is included in the estimate of total landfill airspace. The Company s landfill depletion rates are based on the terms of the operating agreements at its operated landfills that have capitalized expenditures.

Based on remaining permitted capacity as of March 31, 2011, and projected annual disposal volumes, the average remaining landfill life for the Company s owned landfills and landfills operated under life-of-site operating agreements is estimated to be approximately 41 years. As of March 31, 2011, the Company is seeking to expand permitted capacity at seven of its owned landfills and one landfill that it operates under a life-of-site operating agreement, and considers the achievement of these expansions to be probable. Although the Company cannot be certain that all future expansions will be permitted as designed, the average remaining life, when considering remaining permitted capacity, probable expansion capacity and projected annual disposal volume, of the Company s owned landfills and landfills operated under life-of-site operating agreements is 52 years, with lives ranging from 1 to 189 years.

During the three months ended March 31, 2011 and 2010, the Company expensed $8,941 and $8,389, respectively, or an average of $2.92 and $2.97 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

The Company reserves for final capping, closure and post-closure maintenance obligations at the landfills it owns and landfills it operates under life-of-site operating agreements. The Company calculates the net present value of its final capping, closure and post-closure commitments by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. 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 the Company s capping, closure and post-closure liabilities being recorded in layers. At January 1, 2011, the Company decreased its discount rate assumption for purposes of computing 2011 layers for final capping, closure and post-closure obligations from 6.5% to 5.75%, in order to more accurately reflect the Company s long-term cost of borrowing as of the end of 2010. The Company s inflation rate assumption is 2.5% for the years ending December 31, 2010 and 2011. The resulting final capping, closure and post-closure obligations are recorded on the balance sheet along with an offsetting addition to site costs, which is amortized to depletion expense as the landfills airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the three months ended March 31, 2011 and 2010, the Company expensed $484 and $441, respectively, or an average of $0.16 per ton consumed for each period, related to final capping, closure and post-closure accretion expense.

Table of Contents

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

The following is a reconciliation of the Company s final capping, closure and post-closure liability balance from December 31, 2010 to March 31, 2011:

Final capping, closure and post-closure liability at December 31, 2010	$ 28,537
Adjustments to final capping, closure and post-closure liabilities	(1,403)
Liabilities incurred	514
Accretion expense	484
Closure payments	(25)
Final capping, closure and post-closure liability at March 31, 2011	$ 28,107

The adjustments to final capping, closure and post-closure liabilities primarily consisted of an increase in estimated airspace at one of the Company s landfills at which an expansion is being pursued. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At March 31, 2011, $25,369 of the Company s restricted assets balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2011	December 31, 2010
Revolver under Credit Facility, bearing interest ranging from 0.87% to 3.25%*	$ 473,600	$ 511,000
2015 Notes, bearing interest at 6.22%	175,000	175,000
2019 Notes, bearing interest at 5.25%	175,000	175,000
Tax-exempt bonds, bearing interest ranging from 0.22% to 0.44%*	39,420	39,420
Notes payable to sellers in connection with acquisitions, bearing interest at 2.50% to 10.35%*	8,937	9,159
Notes payable to third parties, bearing interest at 6.7% to 10.9%*	3,003	3,056
	874,960	912,635
Less current portion	(2,678)	(2,657)
	$ 872,282	$ 909,978

* Interest rates in the table above represent the range of interest rates incurred during the three month period ended March 31, 2011.

6. ACQUISITIONS

Acquisitions are accounted for under the acquisition method of accounting. The results of operations of the acquired businesses have been included in the Company s consolidated financial statements from their respective acquisition dates.

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

During the three months ended March 31, 2011, the Company acquired one individually immaterial non-hazardous solid waste collection business. During the three months ended March 31, 2010, the Company acquired five individually immaterial non-hazardous solid waste collection businesses. The acquisitions completed during the three months ended March 31, 2011 and 2010, were not material to the Company s results of operations, either individually or in the aggregate. As a result, pro forma financial information has not been provided. The Company expects these acquired businesses to contribute towards the achievement of the Company s strategy to expand through acquisitions.

The following table summarizes the consideration transferred to acquire these businesses and the amounts of identified assets acquired and liabilities assumed associated with businesses acquired at the acquisition date for acquisitions consummated in the three months ended March 31, 2011 and 2010:

	2011 Acquisitions	2010 Acquisitions
Fair value of consideration transferred:		
Cash	$ 814	$ 1,819
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	183	339
Other current assets	3	1
Property and equipment	106	277
Long-term franchise agreements and contracts		19
Customer lists	194	425
Accounts payable	(46)	
Accrued liabilities	(32)	(279)
Deferred revenue	(374)	(33)
Total identifiable net assets	34	749
Goodwill	$ 780	$ 1,070

The goodwill is attributable to the synergies and ancillary growth opportunities expected to arise after the Company s acquisition of these businesses. Goodwill acquired during the three months ended March 31, 2011 and 2010, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to four acquisitions completed during the last 12 months is provisional pending receipt of information from the acquiree to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these four acquisitions are not expected to be material to the Company s financial position.

The gross amount of trade receivables due under contracts acquired during the period ended March 31, 2011, is $239, of which $56 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the period ended March 31, 2010, is $342, of which $3 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of these businesses.

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

A reconciliation of the Fair value of consideration transferred, as disclosed in the table above, to Payments for acquisitions, net of cash acquired, as reported in the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010, is as follows:

	2011 Acquisitions	2010 Acquisitions
Cash consideration transferred	$ 814	$ 1,819
Payment of contingent consideration	100	
Payments for acquisitions, net of cash acquired	$ 914	$ 1,819

During the three month periods ended March 31, 2011 and 2010, the Company incurred $671 and $151, respectively, of acquisition-related costs. These expenses are included in Selling, general and administrative expenses in the Company s Condensed Consolidated Statements of Income.

7. INTANGIBLE ASSETS

Intangible assets, exclusive of goodwill, consisted of the following at March 31, 2011:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 189,726	$ (26,977)	$ 162,749
Customer lists	63,079	(19,693)	43,386
Non-competition agreements	9,414	(6,094)	3,320
Other	21,236	(2,518)	18,718
	283,455	(55,282)	228,173
Nonamortized intangible assets:			
Indefinite-lived intangible assets	148,919		148,919
Intangible assets, exclusive of goodwill	$ 432,374	$ (55,282)	$ 377,092

The weighted-average amortization period of customer lists acquired during the three months ended March 31, 2011 was 5.0 years.

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

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2010:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 190,489	$ (25,255)	$ 165,234
Customer lists	62,885	(17,867)	45,018
Non-competition agreements	9,414	(5,982)	3,432
Other	21,236	(2,364)	18,872
	284,024	(51,468)	232,556
Nonamortized intangible assets:			
Indefinite-lived intangible assets	148,919		148,919
Intangible assets, exclusive of goodwill	$ 432,943	$ (51,468)	$ 381,475

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the year ended December 31, 2010 was 9.1 years. The weighted-average amortization period of customer lists acquired during the year ended December 31, 2010 was 6.4 years.

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

For the year ending December 31, 2011	$ 15,776
For the year ending December 31, 2012	$ 15,174
For the year ending December 31, 2013	$ 13,676
For the year ending December 31, 2014	$ 13,045
For the year ending December 31, 2015	$ 12,422

8. SEGMENT REPORTING

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

The Company manages its operations through three geographic operating segments, which are also the Company s reportable segments. 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 certain of the Company s districts between operating segments in the first quarter of 2010. For the three month periods ended March 31, 2011 and 2010, the Company s Western Region was comprised of operating locations in California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; the Company s Central Region was comprised of operating locations in Colorado, Kansas, Michigan, Minnesota, Nebraska, Oklahoma, South Dakota, Utah and eastern Wyoming; and the Company s Southern Region was comprised of operating locations in Alabama, Arizona, Illinois, Iowa, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, South Carolina, Tennessee and Texas.

The Company s Chief Operating Decision Maker (CODM) evaluates operating segment profitability and determines resource allocations based on operating income before depreciation, amortization and gain (loss) on disposal of assets. Operating income before depreciation, amortization and gain (loss) on disposal of assets is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. The Company s management uses operating income before depreciation, amortization and gain (loss) on disposal of assets in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments. A reconciliation of operating income before depreciation, amortization and gain (loss) on disposal of assets to income before income tax provision is included at the end of this Note 8.

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

Summarized financial information concerning the Company s reportable segments for the three months ended March 31, 2011 and 2010, is shown in the following tables:

Three Months Ended March 31, 2011	**Gross Revenues**	**Intercompany Revenues[b]**	**Net Revenues**	**Operating Income Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets[c]**
Western	$ 197,466	$ (22,901)	$ 174,565	$ 54,453
Central	80,070	(8,032)	72,038	23,917
Southern	101,605	(16,740)	84,865	28,471
Corporate[a]				(1,277)
	$ 379,141	$ (47,673)	$ 331,468	$ 105,564

Three Months Ended March 31, 2010	**Gross Revenues**	**Intercompany Revenues[b]**	**Net Revenues**	**Operating Income Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets[c]**
Western	$ 188,514	$ (21,512)	$ 167,002	$ 50,446
Central	73,368	(7,786)	65,582	20,553
Southern	90,187	(15,231)	74,956	23,974
Corporate[a]				(81)
	$ 352,069	$ (44,529)	$ 307,540	$ 94,892

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

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

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

The following tables show changes in goodwill during the three months ended March 31, 2011 and 2010, by reportable segment:

	Western	Central	Southern	Total
Balance as of December 31, 2010	$ 313,038	$ 305,774	$ 309,040	$ 927,852
Goodwill acquired		576	204	780
Goodwill divested				
Balance as of March 31, 2011	$ 313,038	$ 306,350	$ 309,244	$ 928,632

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

	Western	Central	Southern	Total
Balance as of December 31, 2009	$ 291,781	$ 313,366	$ 301,563	$ 906,710
Goodwill transferred	20,295	(20,295)		
Goodwill acquired		1,070		1,070
Goodwill adjustments		9	(10)	(1)
Goodwill divested		(64)		(64)
Balance as of March 31, 2010	$ 312,076	$ 294,086	$ 301,553	$ 907,715

During the first quarter of 2010, the Company realigned certain of the Company s districts between operating segments. This realignment resulted in the reallocation of goodwill among its segments which is reflected in the Goodwill transferred line item in the above table.

The Company has no accumulated impairment losses associated with goodwill.

A reconciliation of the Company s primary measure of segment profitability (operating income before depreciation, amortization and gain (loss) on disposal of assets for reportable segments) to Income before income tax provision in the Condensed Consolidated Statements of Income is as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Operating income before depreciation, amortization and gain (loss) on disposal of assets	$ 105,564	$ 94,892
Depreciation	(33,037)	(31,444)
Amortization of intangibles	(3,977)	(3,585)
Gain (loss) on disposal of assets	25	(257)
Interest expense	(8,833)	(12,262)
Interest income	134	154
Other income, net	394	179
Income before income tax provision	$ 60,270	$ 47,677

Table of Contents

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

The following table shows, for the periods indicated, the Company s total reported revenues by service line and with intercompany eliminations:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Collection	$ 239,437	$ 229,070
Disposal and transfer	109,560	100,699
Intermodal, recycling and other	30,144	22,300
	379,141	352,069
Less: intercompany elimination	(47,673)	(44,529)
Total revenues	$ 331,468	$ 307,540

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Company recognizes all derivatives on the balance sheet at fair value. All of the Company s derivatives have been designated as cash flow hedges; therefore, the effective portion of the changes in the fair value of derivatives will be recognized in accumulated other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of the changes in the fair value of derivatives will be immediately recognized in earnings. The Company classifies cash inflows and outflows from derivatives within operating activities in the Condensed Consolidated Statements of Cash Flows.

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

At March 31, 2011, the Company s derivative instruments included two interest rate swap agreements as follows:

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
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.

Another of the Company s objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the price of diesel fuel. The Company s strategy to achieve that objective involves entering into fuel hedges that are specifically designated to certain forecasted diesel fuel purchases and accounted for as cash flow hedges.

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

At March 31, 2011, the Company s derivative instruments included two fuel hedge agreements as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed (per gallon)	Diesel Rate Received Variable	Effective Date	Expiration Date
December 2008	400,000	$ 2.950	DOE Diesel Fuel Index*	January 2011	December 2011
December 2008	400,000	$ 3.030	DOE Diesel Fuel Index*	January 2012	December 2012

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

The fair values of derivative instruments designated as cash flow hedges as of March 31, 2011, are as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps		$	Accrued liabilities[(a)]	$ (4,696)
			Other long-term liabilities	(3,094)
Fuel hedges	Prepaid expenses and other current assets[(b)]	5,044		
	Other assets, net	3,524		
Total derivatives designated as cash flow hedges		$ 8,568		$ (7,790)

(a) Represents the estimated amount of the existing unrealized losses on interest rate swaps as of March 31, 2011 (based on the interest rate yield curve at that date), included in accumulated other comprehensive income expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

(b) Represents the estimated amount of the existing unrealized gains on fuel hedges as of March 31, 2011 (based on the forward DOE diesel fuel index curve at that date), included in accumulated other comprehensive income expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in diesel fuel prices.

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

The fair values of derivative instruments designated as cash flow hedges as of December 31, 2010, are as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives Balance Sheet Location	Asset Derivatives Fair Value	Liability Derivatives Balance Sheet Location	Liability Derivatives Fair Value
Interest rate swaps			Accrued liabilities	$ (4,988)
			Other long-term liabilities	(4,734)
Fuel hedges	Prepaid expenses and other current assets	$ 2,469		
	Other assets, net	2,261		
Total derivatives designated as cash flow hedges		$ 4,730		$ (9,722)

The following table summarizes the impact of the Company s cash flow hedges on the results of operations, comprehensive income and accumulated other comprehensive income (loss) (AOCIL) as of and for the three months ended March 31, 2011 and 2010:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized in AOCIL on Derivatives, Net of Tax (Effective Portion)[a] Three Months Ended March 31, 2011	2010	Statement of Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax (Effective Portion) [b],[c] Three Months Ended March 31, 2011	2010
Interest rate swaps	$ 41	$ (2,354)	Interest expense	$ 1,157	$ 1,438
Fuel hedges	2,882	(378)	Cost of operations	(503)	911
Total	$ 2,923	$ (2,732)		$ 654	$ 2,349

(a)

In accordance with the derivatives and hedging guidance, the effective portions of the changes in fair values of interest rate swaps and fuel hedges have been recorded in equity as a component of AOCIL. As the critical terms of the interest rate swaps match the underlying debt being hedged, no ineffectiveness is recognized on these swaps and, therefore, all unrealized changes in fair value are recorded in AOCIL. Because changes in the actual price of diesel fuel and changes in the DOE index price do not offset exactly each reporting period, the Company assesses whether the fuel hedges are highly effective using the cumulative dollar offset approach.

(b) Amounts reclassified from AOCIL into earnings related to realized gains and losses on interest rate swaps are recognized when interest payments or receipts occur related to the swap contracts, which correspond to when interest payments are made on the Company s hedged debt.

(c) Amounts reclassified from AOCIL into earnings related to realized gains and losses on fuel hedges are recognized when settlement payments or receipts occur related to the hedge contracts, which correspond to when the underlying fuel is consumed.

The Company measures and records ineffectiveness on the fuel hedges in Cost of operations in the Condensed Consolidated Statements of Income on a monthly basis based on the difference between the DOE index price and the actual price of diesel fuel purchased, multiplied by the notional number of gallons on the contracts. There was no significant ineffectiveness recognized on the fuel hedges during the three months ended March 31, 2011 and 2010.

See Note 12 for further discussion on the impact of the Company s hedge accounting to its consolidated Comprehensive income and AOCIL.

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

10. NET INCOME PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company s common stockholders for the three months ended March 31, 2011 and 2010:

	Three months ended March 31, 2011	2010
Numerator:		
Net income attributable to Waste Connections for basic and diluted earnings per share	$ 36,539	$ 27,574
Denominator:		
Basic shares outstanding	113,519,266	116,560,332
Dilutive effect of stock options and warrants	476,624	1,135,932
Dilutive effect of restricted stock	405,414	317,838
Diluted shares outstanding	114,401,304	118,014,102

For the three months ended March 31, 2011, all outstanding stock options and warrants were dilutive and included in the computation of diluted earnings per share. For the three months ended March 31, 2010, stock options and warrants to purchase 5,472 shares of common stock were excluded from the computation of diluted earnings per share as they were anti-dilutive. The 2026 Notes were not dilutive during the three months ended March 31, 2010. On April 1, 2010, the Company redeemed the aggregate principal amount of its 2026 Notes.

11. FAIR VALUE MEASUREMENTS

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. These tiers include: Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs that are not corroborated by market data.

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

Table of Contents

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

The Company s assets and liabilities measured at fair value on a recurring basis at March 31, 2011 and December 31, 2010, were as follows:

	Fair Value Measurement at March 31, 2011 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap derivative instruments net liability position	$ (7,790)	$	$ (7,790)	$
Fuel hedge derivative instruments net asset position	$ 8,568	$	$	$ 8,568
Restricted assets	$ 27,958	$ 27,958	$	$

	Fair Value Measurement at December 31, 2010 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap derivative instruments net liability position	$ (9,722)	$	$ (9,722)	$
Fuel hedge derivative instruments net asset position	$ 4,730	$	$	$ 4,730
Restricted assets	$ 30,791	$ 30,791	$	$

During the three months ended March 31, 2011, there were no fair value measurements of assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition.

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

The following table summarizes the change in the fair value for Level 3 derivatives for the three months ended March 31, 2011:

	Level 3 Derivatives
Balance as of December 31, 2010	$ 4,730
Realized gains included in earnings	(811)
Unrealized losses included in AOCIL	4,649
Balance as of March 31, 2011	$ 8,568

The following table summarizes the change in the fair value for Level 3 derivatives for the three months ended March 31, 2010:

	Level 3 Derivatives
Balance as of December 31, 2009	$ (104)
Realized losses included in earnings	1,470
Unrealized gains included in AOCIL	(610)
Balance as of March 31, 2010	$ 756

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

12. COMPREHENSIVE INCOME

Comprehensive income includes changes in the fair value of interest rate swaps and fuel hedges that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three month periods ended March 31, 2011 and 2010, are as follows:

	Three months ended March 31, 2011		
	Gross	**Tax effect**	**Net of tax**
Interest rate swap amounts reclassified into interest expense	$ 1,866	$ (709)	$ 1,157
Fuel hedge amounts reclassified into cost of operations	(811)	308	(503)
Changes in fair value of interest rate swaps	66	(25)	41
Changes in fair value of fuel hedges	4,649	(1,767)	2,882
	$ 5,770	$ (2,193)	$ 3,577

	Three months ended March 31, 2010		
	Gross	**Tax effect**	**Net of tax**
Interest rate swap amounts reclassified into interest expense	$ 2,319	$ (881)	$ 1,438
Fuel hedge amounts reclassified into cost of operations	1,470	(559)	911
Changes in fair value of interest rate swaps	(3,822)	1,468	(2,354)
Changes in fair value of fuel hedges	(610)	232	(378)
	$ (643)	$ 260	$ (383)

Total comprehensive income for the three months ended March 31, 2011 and 2010 was $40,370 and $27,431, respectively.

A rollforward of the amounts included in AOCIL, net of taxes, is as follows:

	Fuel Hedges	**Interest Rate Swaps**	**Accumulated Other Comprehensive Income (Loss)**
Balance at December 31, 2010	$ 2,931	$ (6,026)	$ (3,095)
Amounts reclassified into earnings	(503)	1,157	654
Change in fair value	2,882	41	2,923
Balance at March 31, 2011	$ 5,310	$ (4,828)	$ 482

See Note 9 for further discussion on the Company s derivative instruments.

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

13. STOCKHOLDERS EQUITY

Stock-Based Compensation

A summary of activity related to restricted stock units under the Third Amended and Restated 2004 Equity Incentive Plan, as of December 31, 2010, and changes during the three month period ended March 31, 2011, is presented below:

	Unvested Shares
Outstanding at December 31, 2010	1,514,459
Granted	488,310
Forfeited	(10,400)
Vested	(541,852)
Outstanding at March 31, 2011	1,450,517

The weighted average grant date fair value per share for the shares of common stock underlying the restricted stock units granted during the three month period ended March 31, 2011 was $29.24. During the three months ended March 31, 2011 and 2010, the Company s stock-based compensation expense from restricted stock units was $2,978 and $2,830, respectively.

Share Repurchase Program

The Company s Board of Directors has authorized a common stock repurchase program for the repurchase of up to $800,000 of 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 the Company s capital structure, the market price of the common stock and overall market conditions. During the three months ended March 31, 2011 and 2010, the Company repurchased 751,005 and 2,266,551 shares, respectively, of its common stock under this program at a cost of $20,613 and $49,796, respectively. As of March 31, 2011, the remaining maximum dollar value of shares available for repurchase under the program was approximately $130,761. The Company s policy related to repurchases of its common stock is to charge any excess of cost over par value entirely to additional paid-in capital.

Stock Split

On October 19, 2010, the Company s Board of Directors declared a three-for-two split of its 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, the Company transferred $394 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 $101. All share and per share amounts for all periods presented have been retroactively adjusted to reflect the stock split.

Cash Dividend

On October 19, 2010, the Company s Board of Directors declared 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 $8,561 was paid on November 12, 2010 to the stockholders of record as of the close of business on October 29, 2010. On January 28, 2011, the Company announced that its Board of Directors declared a regular quarterly cash dividend of $0.075 per share on the Company s common stock. The dividend totaling $8,515 was paid on March 1, 2011, to stockholders of record on the close of business on February 22, 2011.

Table of Contents

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

14. COMMITMENTS AND CONTINGENCIES

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

In addition, the Company is a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the waste management business. Except as noted in the legal cases described below, as of March 31, 2011, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse impact on its business, financial condition, results of operations or cash flows.

Chaparral, New Mexico Landfill Permit Litigation

The Company s subsidiary, High Desert Solid Waste Facility, Inc. (formerly known as Rhino Solid Waste, Inc.) (HDSWF), owns undeveloped property in Chaparral, New Mexico, for which it sought a permit to operate a municipal solid waste landfill. After a public hearing, the New Mexico Environment Department (the Department) approved the permit for the facility on January 30, 2002. Colonias Development Council (CDC), a nonprofit organization, opposed the permit at the public hearing and appealed the Department s decision to the courts of New Mexico, primarily on the grounds that the Department failed to consider the social impact of the landfill on the community of Chaparral, and failed to consider regional planning issues. On July 18, 2005, in Colonias Dev. Council v. Rhino Envtl. Servs., Inc. (In re Rhino Envtl. Servs.), 2005 NMSC 24, 117 P.3d 939, the New Mexico Supreme Court remanded the matter back to the Department to conduct a limited public hearing on certain evidence that CDC claimed was wrongfully excluded from consideration by the hearing officer, and to allow the Department to reconsider the evidence already proffered concerning the impact of the landfill on the surrounding community s quality of life. In July 2007, the Department, CDC, the Company and Otero County signed a stipulation requesting a postponement of the limited public hearing to allow the Company time to explore a possible relocation of the landfill to a new site. Since 2007, the Department has issued several postponements orders for the limited public hearing, currently scheduled for November 2011, as HDSWF has continued to evaluate the suitability of a new site. In July 2009, HDSWF purchased approximately 325 acres of undeveloped land comprising a proposed new site from the State of New Mexico. HDSWF filed a formal landfill permit application for the new site with the Department on September 17, 2010, and the Department is evaluating that application. If the Department denies the landfill permit application for the new site, HDSWF intends to actively resume its efforts to enforce the previously issued landfill permit for the original site in Chaparral. At March 31, 2011, the Company had $11,761 of capitalized expenditures related to this landfill development project. If the Company is ultimately issued a permit to operate the landfill at the new site purchased in July 2009, the Company will be required to expense in a future period $10,318 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 the Company s results of operations for that period. If the Company instead is ultimately issued a permit to operate the landfill at the original Chaparral property, the Company will be required to expense in a future period $1,443 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 the Company is not ultimately issued a permit to operate the landfill at either one of the two sites, the Company will be required to expense in a future period the $11,761 of capitalized expenditures, less the recoverable value of the undeveloped properties and other amounts recovered, which would likely have a material adverse effect on the Company s results of operations for that period.

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

Harper County, Kansas Landfill Permit Litigation

The Company opened a municipal solid waste landfill in Harper County, Kansas in January 2006, following the issuance by the Kansas Department of Health and Environment (KDHE) of a final permit to operate the landfill. The landfill has operated continuously since that time. On October 3, 2005, landfill opponents filed a suit (Board of Comm rs of Sumner County, Kansas, Tri-County Concerned Citizens and Dalton Holland v. Roderick Bremby, Sec y of the Kansas Dep t of Health and Env t, et al.) in the District Court of Shawnee County, Kansas, seeking a judicial review of KDHE s decision to issue the permit, alleging that a site analysis prepared for the Company and submitted to KDHE as part of the process leading to the issuance of the permit was deficient in several respects. The action sought to stay the effectiveness of the permit and to nullify it. The Company intervened in this lawsuit shortly after it was filed. On April 7, 2006, the District Court issued an order denying the plaintiffs request for judicial review on the grounds that they lacked standing to bring the action. The plaintiffs appealed that decision to the Kansas Court of Appeals, and on October 12, 2007, the Court of Appeals issued an opinion reversing and remanding the District Court s decision. The Company appealed the decision to the Kansas Supreme Court, and on July 25, 2008, the Supreme Court affirmed the decision of the Court of Appeals and remanded the case to the District Court for further proceedings on the merits. Plaintiffs filed a second amended petition on October 22, 2008, and the Company filed a motion to strike various allegations contained within the second amended petition. On July 2, 2009, the District Court granted in part and denied in part the Company s motion to strike. The District Court also set a new briefing schedule, and the parties completed the briefing during the first half of 2010. Oral argument in the case occurred on September 27, 2010. There is no scheduled time limit within which the District Court has to decide this administrative appeal. While the Company believes that it will prevail in this case, the District Court could remand the matter back to KDHE for additional review of its decision or could revoke the permit. An order of remand to KDHE would not necessarily affect the Company s continued operation of the landfill. Only in the event that a final, materially adverse determination with respect to the permit is received would there likely be a material adverse effect on the Company s reported results of operations in the future. If as a result of this litigation, after exhausting all appeals, the Company was unable to continue to operate the landfill, the Company estimates that it would be required to record a pre-tax impairment charge of approximately $15,000 to reduce the carrying value of the landfill to its estimated fair value. In addition, the Company estimates the current annual impact to its pre-tax earnings that would result if it was unable to continue to operate the landfill would be approximately $4,000 per year.

El Paso, Texas Labor Union Disputes

One of the Company s subsidiaries, El Paso Disposal, LP (EPD), is a party to administrative proceedings before the National Labor Relations Board (NLRB). In these proceedings, the union has alleged various unfair labor practices relating to the parties failure to reach agreement on initial labor contracts and the resultant strike by, and the replacement of and a failure to recall, union-represented employees. On April 29, 2009, following a hearing, an administrative law judge issued a recommended Decision and Order finding violations of the National Labor Relations Act by EPD and recommended to the NLRB that EPD take remedial actions, including reinstating certain employees and their previous terms and conditions of employment, refraining from certain conduct, continuing to bargain collectively and providing a make whole remedy. EPD filed exceptions to the administrative law judge s recommendations on June 30, 2009. The matter is currently before the NLRB on review. On July 27, 2009, the NLRB s regional office in Phoenix, Arizona filed a petition in the United States District Court for the Western District of Texas seeking an injunction to reinstate the replaced employees, order EPD to continue collective bargaining while the NLRB s review is pending, and to refrain from further alleged unfair labor practices. A hearing on the injunction was held on August 19, 2009; and on October 30, 2009, the District Court granted the NLRB s requested relief. EPD appealed the District Court s order to the United States Court of Appeals for the Fifth Circuit, and a hearing on the appeal occurred on August 2, 2010. On November 4, 2010, the Fifth Circuit affirmed the District Court s injunction order.

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

Several related unfair labor practice charges alleging failure to bargain and failure to appropriately recall union-represented employees subsequently were filed against EPD. The charges were heard by an administrative law judge during the week of August 24, 2009. On December 2, 2009, the administrative law judge issued a recommended Decision and Order granting part of the NLRB s requested relief, while denying part, but the issues were effectively subsumed by the District Court s injunction. Both EPD and the NLRB s General Counsel filed exceptions to the administrative law judge s recommendations with the NLRB. These exceptions also are currently under review by the NLRB.

On January 22, 2010 and March 5, 2010, the union filed new unfair labor practice charges against EPD concerning events relating to the ongoing contract negotiation process. On May 28, 2010, the NLRB issued a complaint against EPD alleging unfair labor practices, including alleged unlawful threats and coercive statements, refusal to provide striking employees with full and unconditional reinstatement, reduction of earning opportunities for striking employees, implementation of new routes for drivers, implementation of a new longevity bonus plan, use of video footage captured by surveillance camera to discipline employees, change to the driver training program, change to the uniform practice and bargaining proposals that were predictably unacceptable to the union. EPD filed an answer denying any wrongdoing. Further, EPD believes it has resolved many of these allegations through negotiations with the union. A hearing on this complaint was scheduled for November 2, 2010, but subsequently was postponed indefinitely by the NLRB as a result of a pending comprehensive settlement of outstanding matters between EPD and the union that is more fully described below.

Most recently, on June 11, 2010, June, 24, 2010, and June 30, 2010, the union filed new unfair labor practice charges alleging that EPD has unlawfully failed to provide relevant information requested by the union, and unilaterally changed terms and working conditions of employment (by unspecified acts) resulting in a reduced size of the bargaining unit, implementing new work schedules, suspending an employee with pay due to an accident, reassigning and/or changing work assignments among bargaining unit employees and intimidating and coercing employees by suspending strikers involved in accidents and by following drivers excessively while performing their duties. The NLRB included these new allegations in its complaint to be heard on November 2, 2010, which was postponed indefinitely by the NLRB because of the pending comprehensive settlement between EPD and the union.

On August 10, 2010, the NLRB filed a petition for contempt and other civil relief before the United States District Court for the Western District of Texas, alleging that EPD violated the District Court s October 30, 2009 injunction order by failing or refusing to implement the interim relief directed by the court (e.g., to restore changed employment terms, reinstate former strikers to their prior positions, and not commit future purported unfair labor practices). EPD filed an answer denying any wrongdoing. A hearing on the NLRB s petition was scheduled for November 10, 2010, but was postponed indefinitely by the NLRB because of the pending comprehensive settlement between EPD and the union.

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

In December 2010, the union ratified a comprehensive settlement reached with EPD as to all outstanding unfair labor practice charges and related liability issues. The settlement has resulted in the indefinite postponement of the NLRB and District Court proceedings described above, pending final administration of the settlement terms. The settlement includes: agreement on collective bargaining agreements for the two EPD bargaining units; withdrawal by the union of all of its unfair labor practice charges; and the payment by EPD of 60% of net back pay, without interest, for all alleged discriminatees for the back pay period in question, which ended in 2009. Any disputes regarding the amount of back pay owed will be determined through arbitration. Notwithstanding the settlement, EPD continues to deny that any wrongdoing occurred. The parties have begun to implement the settlement terms, pursuant to which, in December 2010, the union filed a request with the NLRB to withdraw all of its unfair labor practice charges. This request currently is pending before the NLRB regional office in Phoenix, but has not yet been approved. Thus, the pending comprehensive settlement is not yet final.

Solano County, California Measure E/Landfill Expansion Litigation

The Company and one of its subsidiaries, Potrero Hills Landfill, Inc. (PHLF), were named as real parties in interest in an amended complaint captioned Sustainability, Parks, Recycling and Wildlife Legal Defense Fund v. County of Solano, which was filed in the Superior Court of California, County of Solano, on July 9, 2009 (the original complaint was filed on June 12, 2009). This lawsuit seeks to compel Solano County to comply with Measure E, a ballot initiative and County ordinance passed in 1984 that the County has not enforced against PHLF since at least 1992. Measure E directs in part that Solano County shall not allow the importation into the County of any solid waste which originated or was collected outside the County in excess of 95,000 tons per year. PHLF disposes of approximately 670,800 tons of solid waste annually, approximately 562,300 tons of which originate from sources outside of Solano County. The Sustainability, Parks, Recycling and Wildlife Legal Defense Fund (SPRAWLDEF) lawsuit also seeks to overturn Solano County s approval of the use permit for the expansion of the Potrero Hills Landfill and the related Environmental Impact Report (EIR), arguing that both violate Measure E and that the EIR violates the California Environmental Quality Act (CEQA). Two similar actions seeking to enforce Measure E, captioned Northern California Recycling Association v. County of Solano and Sierra Club v. County of Solano, were filed in the same court on June 10, 2009, and August 10, 2009, respectively. The Northern California Recycling Association (NCRA) case does not name the Company or any of its subsidiaries as parties and does not contain any CEQA claims. The Sierra Club case names PHLF as a real party in interest, and seeks to overturn the conditional use permit for the expansion of the landfill on Measure E grounds (but does not raise CEQA claims). These lawsuits follow a previous lawsuit concerning Measure E that NCRA filed against PHLF in the same court on July 22, 2008, prior to the Company s acquisition of PHLF in April 2009, but which NCRA later dismissed.

In December 2009, the Company and PHLF filed briefs vigorously opposing enforcement of Measure E on Constitutional and other grounds. The Company s position is supported by Solano County, a co-defendant in the Measure E litigation. It is also supported by the Attorney General of the State of California, the National Solid Wastes Management Association and the California Refuse Recycling Council, each of which filed supporting friend of court briefs or letters. In addition, numerous waste hauling companies in California, Oregon and Nevada have intervened on the Company s side in the state cases, subsequent to their participation in the federal action challenging Measure E discussed below. A hearing on the merits for all three Measure E state cases was held on February 18, 2010.

On May 12, 2010, the Solano County Superior Court issued a written opinion addressing all three cases. The Court upheld Measure E in part by judicially rewriting the law, and then issued a writ of mandamus directing Solano County to enforce Measure E as rewritten. The Court decided that it could cure the law s discrimination against out-of-county waste by revising Measure E to only limit the importation of waste into Solano County from other counties in California, but not from other states. In the same opinion, the Court rejected the requests from petitioners in the cases for a writ of administrative mandamus to overturn the permit approved by Solano County in June 2009 for the expansion of PHLF s landfill, thereby leaving the expansion permit in place. Petitioners Sierra Club and

SPRAWLDEF filed motions to reconsider in which they asked the Court to issue a writ of administrative mandamus and void PHLF s expansion permit. The County, the Company and PHLF opposed the motions to reconsider and a hearing was held on June 25, 2010. On August 30, 2010, the Court denied the motions to reconsider and reaffirmed its ruling denying the petitions for writs to overturn PHLF s expansion permit.

Table of Contents

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

In December 2010, the Court entered final judgments and writs of mandamus in the three cases, and Solano County, the Company, PHLF and the waste hauling company intervenors filed notices of appeal, which stayed the judgments and writs pending the outcome of the appeal. Petitioners Sierra Club and SPRAWLDEF cross-appealed the Court s ruling denying their petitions for writs to overturn PHLF s expansion permit. The appeals and cross-appeals were consolidated and the parties entered into a briefing schedule by stipulation in February, 2011. PHLF filed its opening brief on March 4, 2011. Sierra Club and SPRAWLDEF must file their combined response and opening brief for cross-appeal by May 2, 2011, and all briefing is scheduled to be complete by June 27, 2011.

As part of the final judgments, the Solano County Superior Court retained jurisdiction over any motions for attorneys fees under California s Private Attorney General statute. Petitioners NCRA, SPRAWLDEF and Sierra Club each filed a bill of costs and a motion for attorney fees totaling $771, none of which the Company has recorded as a liability at December 31, 2010. The Company vigorously opposes the award of attorney fees. The motions were heard in March 2011, prior to which the court issued a tentative order awarding Petitioners $482 in attorneys fees. The matter was submitted after argument and the parties are awaiting final judgment on the attorneys fees issue. If the Company prevails on the appeals of the three underlying cases, then none of the Petitioners would be entitled to attorneys fees and costs. If the Company is unsuccessful on these appeals and any future appeal of the pending attorneys fees judgment, the Company, PHLF and the County ultimately would be jointly and severally liable for any such attorneys fees award in the SPRAWLDEF and Sierra Club cases. Because the Company and PHLF are not parties to the NCRA case, they are not subject to a court order for NCRA s attorney fees. However, in all three cases, the Company may reimburse the County for any such attorneys fees under the indemnification provision in PHLF s land use permit.

At this point the Company is not able to determine the likelihood of any outcome in this matter. However, in the event that after all appeals are exhausted the Superior Court s writ of mandamus enforcing Measure E as rewritten is upheld, the Company estimates that the current annual impact to its pre-tax earnings resulting from the restriction on imports into Solano County would be approximately $6,000 per year. The Company s estimate could be impacted by various factors, including the County s allocation of the 95,000 tons per year import restriction among PHLF and the other disposal and composting facilities in Solano County. In addition, if the final rulings on Measure E do not limit the importation of waste into Solano County from other states, the Company could potentially offset a portion of the estimated reduction to its pre-tax earnings by internalizing waste for disposal at PHLF from other states in which the Company operates, or by accepting waste volumes from third party haulers operating outside of California.

In response to the pending three state court actions to enforce Measure E described above, the Company, PHLF and other waste hauling companies in California, Oregon and Nevada that are damaged by Measure E and would be further damaged if Measure E was enforced, filed a federal lawsuit to enjoin Measure E and have it declared unconstitutional. On September 8, 2009, the coalition brought suit in the United States District Court for the Eastern District of California in Sacramento challenging Measure E under the Commerce Clause of the United States Constitution, captioned Potrero Hills Landfill, Inc. et al. v. County of Solano. In response, SPRAWLDEF, Sierra Club and NCRA intervened in the federal case to defend Measure E and filed motions to dismiss the federal suit, or in the alternative, for the court to abstain from hearing the case in light of the pending state court Measure E actions. On December 23, 2009, the federal court abstained and declined to accept jurisdiction over the Company s case, holding that Measure E raised unique state issues that should be resolved by the pending state court litigation, and granted the motions to dismiss. The Company filed a notice of appeal to the court s ruling on January 22, 2010, and briefing in the United States Court of Appeals for the Ninth Circuit was completed on November 17, 2010. Oral argument on the appeal took place on April 14, 2011.

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

Individual members of SPRAWLDEF were also plaintiffs in a lawsuit filed in the Solano County Superior Court on October 13, 2005, captioned Protect the Marsh, et al. v. County of Solano, et al., challenging the EIR that Solano County certified in connection with its approval of the expansion of the Potrero Hills Landfill on September 13, 2005. A motion to discharge the Superior Court s writ of mandate directing the County to vacate and set aside its certification of the EIR was heard in August 2009. On November 3, 2009, the Superior Court upheld the County s certification of the EIR and the related permit approval actions. In response, the plaintiffs in Protect the Marsh filed a notice of appeal to the court s order on December 31, 2009. On October 8, 2010, the California Court of Appeal dismissed Plaintiffs appeal for lack of standing. SPRAWLDEF subsequently filed a petition for review of this decision with the California Supreme Court. On December 21, 2010, the Supreme Court denied the petition, concluding this litigation in favor of the County and the Company.

On December 17, 2010, SPRAWLDEF and one its members filed a petition for writ of mandate in San Francisco Superior Court seeking to overturn the October 2010 approval of the marsh development permit issued by the San Francisco Bay Conservation and Development Commission (BCDC) for PHLF s landfill expansion, alleging that the approval is contrary to the Marsh Act and Measure E. The petition, captioned SPRAWLDEF v. San Francisco Bay Conservation and Development Commission, names BCDC as a respondent and the Company as the real party in interest. Petitioners seek a declaration that the law does not allow BCDC to approve a marsh development permit beyond the footprint and operational levels originally approved for PHLF in 1984, and that the approval violates Measure E. BCDC is preparing the administrative record of its permit decision to be filed with the court and answers to the petition will be due 30 days thereafter. A hearing has not yet been set on the petition. At this point the Company is not able to determine the likelihood of any outcome in this matter.

If as a result of any of the matters described above, after exhausting all appeals, PHLF is unable to secure an expansion permit, and the Superior Court s writ of mandamus enforcing Measure E as rewritten is ultimately upheld, the Company estimates that it would be required to recognize a pre-tax impairment charge of approximately $39,000 to reduce the carrying value of PHLF to its estimated fair value. If PHLF is unable to secure an expansion permit but Measure E is ultimately ruled to be unenforceable, the Company estimates that it would be required to recognize a pre-tax impairment charge of approximately $24,000 to reduce the carrying value of PHLF to its estimated fair value.

El Paso, Texas Breach of Contract/Flow Control Litigation

On November 15, 2010, the Company filed a petition in the County Court at Law No. 3, El Paso County, Texas, captioned Waste Connections, Inc., Camino Real Environmental Center, Inc. and El Paso Disposal, LP v. The City of El Paso, Texas, John F. Cook, in his capacity as El Paso Mayor, and Joyce Wilson, in her capacity as El Paso City Manager (No. 2010-4476). The action relates to that certain Solid Waste Disposal and Operating Agreement, dated April 27, 2004, by and among the City of El Paso, Texas (the City) and the Company (the 2004 Agreement), and Ordinance 017380, as adopted by the City Council on August 24, 2010 (the Ordinance).

The 2004 Agreement grants the Company and its subsidiaries (Camino Real and El Paso Disposal) the non-exclusive right to do business in the City, and to provide commercial and industrial solid waste collection and disposal services to customers within the territorial and extra-territorial jurisdiction of the City, for a period of ten years from April 27, 2004. In addition, the 2004 Agreement provides that during the ten-year period the City shall not modify solid waste hauler fees for the Company or any of its subsidiaries. The City also agreed in the 2004 Agreement that, until April 27, 2014, it would not provide private roll-off services or otherwise become a competitor to private solid waste companies in providing these services.

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

The Company believes that the Ordinance violates the law and is contrary to the 2004 Agreement in numerous respects, including because it requires that waste collected within the City s jurisdiction be hauled only by permitted haulers who enter into franchise agreements with the City, and that such haulers may only dispose of such waste at facilities designated or authorized by the City. The petition seeks to require the City to specifically perform the 2004 Agreement, and to enjoin temporarily and permanently the City s enforcement of the Ordinance to the extent such enforcement would breach the 2004 Agreement. The lawsuit also seeks a declaratory judgment that: (1) the Ordinance violates the Contracts Clauses of the Texas and United States Constitutions, and constitutes an improper taking and an inverse condemnation under the Texas Constitution; (2) the City and its Mayor and City Manager must prospectively comply with the 2004 Agreement; and (3) the Agreement is valid, enforceable and complies with Texas law. The Company also seeks costs of suit and such other relief at law or in equity to which it may be entitled. The Company is not presently seeking money damages.

The Company and the City have been negotiating, and continue to negotiate, an agreed resolution to their differences. As a result of these efforts, on December 21, 2010, the El Paso City Council approved a series of amendments to the Ordinance to address certain concerns of the Company and other haulers that operate within the City s jurisdiction. The negotiations continue and on March 29, 2011, an amendment to the ordinance postponed the effective date of the requirement that haulers enter into franchise agreements with the City until September 1, 2011. At this point, however, the Company is not able to determine the likelihood of any outcome in this litigation, nor is it able to estimate the amount or range of loss or the impact on the Company or its financial condition in the event of an unfavorable outcome.

15. SUBSEQUENT EVENTS

On April 1, 2011, the Company entered into a Second Supplement to Master Note Purchase Agreement with certain accredited institutional investors, pursuant to which the Company issued and sold to the investors on that date $250,000 of senior uncollateralized notes at fixed interest rates with interest payable in arrears semi-annually on October 1 and April 1 beginning on October 1, 2011 in a private placement. Of these notes, $100,000 will mature on April 1, 2016 with an annual interest rate of 3.30% (the 2016 Notes), $50,000 will mature on April 1, 2018 with an annual interest rate of 4.00% (the 2018 Notes), and $100,000 will mature on April 1, 2021 with an annual interest rate of 4.64% (the 2021 Notes). The 2016 Notes, 2018 Notes and 2021 Notes are uncollateralized obligations and rank equally in right of payment with the 2015 Notes, the 2019 Notes and obligations under the Company s credit facility. The 2016 Notes, 2018 Notes and 2021 Notes are subject to representations, warranties, covenants and events of default. Upon the occurrence of an event of default, payment of the 2016 Notes, 2018 Notes and 2021 Notes may be accelerated by the holders of the respective notes. The 2016 Notes, 2018 Notes and 2021 Notes may also be prepaid by the Company at any time at par plus a make-whole amount determined in respect of the remaining scheduled interest payments on the respective notes, using a discount rate of the then current market standard for United States treasury bills plus 0.50%. In addition, the Company will be required to offer to prepay the 2016 Notes, 2018 Notes and 2021 Notes upon certain changes in control.

The Company may issue additional series of senior uncollateralized notes pursuant to the terms and conditions of the Master Note Purchase Agreement, provided that the purchasers of the outstanding notes, including the 2016 Notes, 2018 Notes and 2021 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 outstanding notes and any additional notes issued pursuant to the Master Note Purchase Agreement shall not exceed $750,000. The Company currently has $600,000 of Notes outstanding under the Master Note Purchase Agreement.

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

The Company used the proceeds from the sale of the 2016 Notes, 2018 Notes, and 2021 Notes for general corporate purposes, including to fund a portion of the purchase price for the acquisition of Hudson Valley Waste Holding, Inc., which is described below.

On April 1, 2011, the Company completed the acquisition of Hudson Valley Waste Holding, Inc., and its wholly-owned subsidiary, County Waste and Recycling Service, Inc. (County Waste). The operations include six collection operations, three transfer stations and one recycling facility across six markets: Orange County, New York; Greater Albany, New York; Springfield, Massachusetts; Fulton County, New York; Warrant and Washington Counties, New York; and Greene, Columbia and Ulster Counties, New York. The Company paid $299,000 in existing cash and cash from the issuance of $250,000 of senior uncollaterized notes described above for the purchased operations plus amounts paid for the purchase of accounts receivable and other prepaid assets and estimated working capital, which amounts are subject to post-closing adjustments. No other consideration, including contingent consideration, was transferred by the Company to acquire these operations. The Company has not yet completed its initial purchase price allocation.

As a result of the County Waste acquisition described above, in the second quarter of 2011, the Company will be realigning its segment reporting structure by changing its three geographic operating segments from Western, Central and Southern to Western, Central and Eastern. As part of the realignment, the states of Arizona, Louisiana, New Mexico and Texas, which were previously part of the Southern region, will now be included in the Central region. Also as part of this realignment, the state of Michigan, which was previously part of the Central region, will now be included in the Eastern region. Additionally, the states of New York and Massachusetts, in which the Company now operates as a result of the County Waste acquisition, will be included in the Eastern region. The segment information presented in Note 8 does not reflect this realignment.

On April 20, 2011, the Company s Board of Directors declared a regular quarterly cash dividend of $0.075 per share on the Company s common stock. The dividend will be paid on May 20, 2011, to stockholders of record on the close of business on May 6, 2011.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q 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, our expectations with respect to our ability to obtain expansions of permitted landfill capacity, our expectations with respect to the outcomes of our legal proceedings 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 anticipates, or the negative thereof or co 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, the following:

- Our acquisitions may not be successful, resulting in changes in strategy, operating losses or a loss on sale of the business acquired;
- A portion of our growth and future financial performance depends on our ability to integrate acquired businesses into our organization and operations;
- Downturns in the worldwide economy adversely affect operating results;
- Our results are vulnerable to economic conditions and seasonal factors affecting the regions in which we operate;
- 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;
- We may be unable to compete effectively with larger and better capitalized companies and governmental service providers;
- We may lose contracts through competitive bidding, early termination or governmental action;
- Price increases may not be adequate to offset the impact of increased costs or may cause us to lose volume;
- Increases in the price of fuel may adversely affect our business and reduce our operating margins;
- Increases in labor and disposal and related transportation costs could impact our financial results;
- Efforts by labor unions could divert management attention and adversely affect operating results;
- We could face significant withdrawal liability if we withdraw from participation in one or more underfunded multiemployer pension plans in which we participate;
- Increases in insurance costs and the amount that we self-insure for various risks could reduce our operating margins and reported earnings;

Table of Contents

Competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit our ability to grow through acquisitions;
Our indebtedness could adversely affect our financial condition; we may incur substantially more debt in the future;
Each business that we acquire or have acquired may have liabilities or risks that we fail or are unable to discover, including environmental liabilities;
Liabilities for environmental damage may adversely affect our financial condition, business and earnings;
Our accruals for our landfill site closure and post-closure costs may be inadequate;
The financial soundness of our customers could affect our business and operating results;
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 decentralized decision-making structure could allow local managers to make decisions that adversely affect our operating results;
We may incur charges related to capitalized expenditures of landfill development projects, which would decrease our earnings;
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;
Our financial results are based upon estimates and assumptions that may differ from actual results;
The adoption of new accounting standards or interpretations could adversely affect our financial results;
Our financial and operating performance may be affected by the inability to renew landfill operating permits, obtain new landfills and expand existing ones;
Future changes in laws or renewed enforcement of laws regulating the flow of solid waste in interstate commerce could adversely affect our operating results;
Fluctuations in prices for recycled commodities that we sell and rebates we offer to customers may cause our revenues and operating results to decline;
Extensive and evolving environmental, health, safety and employment laws and regulations may restrict our operations and growth and increase our costs;
Climate change regulations may adversely affect operating results;
Extensive regulations that govern the design, operation and closure of landfills may restrict our landfill operations or increase our costs of operating landfills;
Alternatives to landfill disposal may cause our revenues and operating results to decline; and
Unusually adverse weather conditions may interfere with our operations, harming our operating results.

These risks and uncertainties, as well as others, are discussed in greater detail in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission, or SEC, including our most recent Annual Report on Form 10-K. 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.

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 farther 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.

We are an integrated solid waste services company that provides solid waste collection, transfer, disposal and recycling services in mostly exclusive and secondary markets. 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. As of March 31, 2011, we served 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 that date, we owned or operated a network of 135 solid waste collection operations, 54 transfer stations, seven intermodal facilities, 38 recycling operations, 42 municipal solid waste landfills, two construction and demolition landfills and one exploration and production waste treatment and disposal facility. On April 1, 2011, we completed the acquisition of Hudson Valley Waste Holding, Inc. and its wholly owned subsidiary, County Waste and Recycling, Inc. (County Waste). The operations include six collection operations, three transfer stations and one recycling facility. The operations are in New York and Massachusetts and will be included within our newly realigned Eastern region.

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. Refer to our most recent Annual Report on Form 10-K for a complete description of our critical accounting estimates and assumptions.

GENERAL

Our revenues are derived from one industry segment, which includes the collection, transfer, recycling and disposal of non-hazardous solid waste. No single contract or customer accounted for more than 10% of 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).

	Three months ended March 31,			
	2011		2010	
Collection	$ 239,437	63.2%	$ 229,070	65.1%
Disposal and transfer	109,560	28.9	100,699	28.6
Intermodal, recycling and other	30,144	7.9	22,300	6.3
	379,141	100.0%	352,069	100.0%
Less: intercompany elimination	(47,673)		(44,529)	
Total revenue	$ 331,468		$ 307,540	

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, which are also our reportable segments. 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 certain of our districts between operating segments in the first quarter of 2010. For the three month periods ended March 31, 2011 and 2010, our Western Region was comprised of operating locations in California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Central Region was comprised of operating locations in Colorado, Kansas, Michigan, Minnesota, Nebraska, Oklahoma, South Dakota, Utah and eastern Wyoming; and our Southern Region was 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):

Three months ended