WASTE CONNECTIONS, INC.
Form 10-Q
October 27, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o 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 October 20, 2009: 78,698,342 shares of common stock

WASTE CONNECTIONS, INC.
FORM 10-Q

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Item 1. Financial Statements

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

	December 31, 2008	September 30, 2009
ASSETS		
Current assets:		
Cash and equivalents	$ 265,264	$ 10,021
Accounts receivable, net of allowance for doubtful accounts of $3,846 and $3,909 at December 31, 2008 and September 30, 2009, respectively	118,456	140,652
Deferred income taxes	22,347	22,330
Prepaid expenses and other current assets	23,144	28,935
Total current assets	429,211	201,938
Property and equipment, net	984,124	1,292,207
Goodwill	836,930	907,723
Intangible assets, net	306,444	358,832
Restricted assets	23,009	25,393
Other assets, net	20,639	20,753
	$ 2,600,357	$ 2,806,846
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 65,537	$ 87,349
Book overdraft	4,315	4,362
Accrued liabilities	95,220	107,713
Deferred revenue	45,694	48,912
Current portion of long-term debt and notes payable	4,698	2,686
Total current liabilities	215,464	251,022
Long-term debt and notes payable	819,828	883,722
Other long-term liabilities	47,509	48,458
Deferred income taxes	255,559	294,467
Total liabilities	1,338,360	1,477,669
Commitments and contingencies (Note 15)		
Equity:		
Preferred stock: $0.01 par value per share; 7,500,000 shares authorized; none issued and outstanding	-	-
Common stock: $0.01 par value per share; 150,000,000 shares authorized; 79,842,239 and 78,687,155 shares issued and outstanding at December 31, 2008 and September 30, 2009, respectively	798	787
Additional paid-in capital	661,555	631,508
Accumulated other comprehensive loss	(23,937)	(15,470)
Retained earnings	622,913	709,479

Total Waste Connections' equity	1,261,329	1,326,304
Noncontrolling interests	668	2,873
Total equity	1,261,997	1,329,177
	$ 2,600,357	$ 2,806,846

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2009	2008	2009
Revenues	$ 272,702	$ 315,990	$ 790,035	$ 881,496
Operating expenses:				
Cost of operations	164,548	180,440	473,542	510,830
Selling, general and administrative	27,009	35,753	81,164	104,411
Depreciation	22,985	31,226	67,459	86,127
Amortization of intangibles	1,404	3,671	4,218	9,351
Loss (gain) on disposal of assets	61	139	569	(1,037)
Operating income	56,695	64,761	163,083	171,814
Interest expense	(9,956)	(12,259)	(30,697)	(36,817)
Interest income	145	134	507	1,275
Other income (expense)	(449)	879	(115)	1,055
Income before income taxes	46,435	53,515	132,778	137,327
Income tax provision	(15,013)	(19,252)	(46,151)	(50,070)
Net income	31,422	34,263	86,627	87,257
Less: Net income attributable to noncontrolling interests	(3,813)	(113)	(10,992)	(691)
Net income attributable to Waste Connections	$ 27,609	$ 34,150	$ 75,635	$ 86,566
Earnings per common share attributable to Waste Connections' common stockholders:				
Basic	$ 0.41	$ 0.43	$ 1.13	$ 1.09
Diluted	$ 0.40	$ 0.43	$ 1.11	$ 1.08
Shares used in the per share calculations:				
Basic	66,897,781	78,837,984	66,745,119	79,618,566
Diluted	68,532,005	79,824,616	68,192,175	80,468,180

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

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

		Waste Connections' Equity						
	Comprehensive Income	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2007		67,052,135	$ 670	$ 254,284	$ (4,290)	$ 524,481	$ 30,220	$ 805,365
Cumulative change from adoption of accounting policy – convertible debt pronouncement		-	-	13,726	-	(4,471)	-	9,255
Vesting of restricted stock		222,863	2	(2)	-	-	-	-
Cancellation of restricted stock and warrants		(72,082)	(1)	(2,192)	-	-	-	(2,193)
Equity-based compensation		-	-	7,854	-	-	-	7,854
Exercise of stock options and warrants		1,030,594	10	19,079	-	-	-	19,089
Issuance of common stock, net of issuance costs of $17,195		12,650,000	127	393,803	-	-	-	393,930
Excess tax benefit associated with equity-based compensation		-	-	6,441	-	-	-	6,441
Repurchase of common stock		(1,041,271)	(10)	(31,517)	-	-	-	(31,527)
Issuance of common stock warrants to consultants		-	-	79	-	-	-	79
Amounts reclassified into earnings, net of taxes		-	-	-	4,010	-	-	4,010
		-	-	-	(23,657)	-	-	(23,657)

Changes in fair value of swaps, net of taxes								
Distributions to noncontrolling interests		-	-	-	-	-	(8,232)	(8,232)
Changes in ownership interest in noncontrolling interests		-	-	-	-	-	(33,560)	(33,560)
Net income	$ 115,143	-	-	-	-	102,903	12,240	115,143
Other comprehensive loss	(31,609)	-	-	-	-	-	-	-
Income tax effect of other comprehensive loss	11,962	-	-	-	-	-	-	-
Comprehensive income	95,496	-	-	-	-	-	-	-
Comprehensive income attributable to noncontrolling interests	(12,240)	-	-	-	-	-	-	-
Comprehensive income attributable to Waste Connections	$ 83,256	-	-	-	-	-	-	-
Balances at December 31, 2008		79,842,239	798	661,555	(23,937)	622,913	668	1,261,997
Vesting of restricted stock		269,165	3	(3)	-	-	-	-
Cancellation of restricted stock and warrants		(90,251)	(1)	(2,502)	-	-	-	(2,503)
Equity-based compensation		-	-	6,965	-	-	-	6,965
Exercise of stock options and warrants		223,630	2	4,950	-	-	-	4,952
Excess tax benefit associated with equity-based compensation		-	-	696	-	-	-	696
Repurchase of common stock		(1,557,628)	(15)	(40,153)	-	-	-	(40,168)
Amounts reclassified into		-	-	-	11,929	-	-	11,929

earnings, net of taxes								
Changes in fair value of swaps, net of taxes		-	-	-	(3,462)	-	-	(3,462)
Fair value of noncontrolling interest associated with business acquired		-	-	-	-	-	1,514	1,514
Net income	$ 87,257	-	-	-	-	86,566	691	87,257
Other comprehensive income	13,737	-	-	-	-	-	-	-
Income tax effect of other comprehensive income	(5,270)	-	-	-	-	-	-	-
Comprehensive income	95,724	-	-	-	-	-	-	-
Comprehensive income attributable to noncontrolling interests	(691)	-	-	-	-	-	-	-
Comprehensive income attributable to Waste Connections	$ 95,033	-	-	-	-	-	-	-
Balances at September 30, 2009		78,687,155	$ 787	$ 631,508	$ (15,470)	$ 709,479	$ 2,873	$ 1,329,177

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

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

	Nine months ended September 30, 2008	2009
Cash flows from operating activities:		
Net income	$ 86,627	$ 87,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on disposal of assets	569	(1,037)
Depreciation	67,459	86,127
Amortization of intangibles	4,218	9,351
Deferred income taxes, net of acquisitions	24,331	28,605
Amortization of debt issuance costs	1,356	1,455
Amortization of debt discount	3,303	3,513
Equity-based compensation	5,903	6,965
Interest income on restricted assets	(392)	(369)
Closure and post-closure accretion	1,066	1,496
Excess tax benefit associated with equity-based compensation	(5,647)	(696)
Net change in operating assets and liabilities, net of acquisitions	5,868	19,578
Net cash provided by operating activities	194,661	242,245
Cash flows from investing activities:		
Payments for acquisitions, net of cash acquired	(35,177)	(422,078)
Capital expenditures for property and equipment	(79,536)	(84,289)
Proceeds from disposal of assets	1,499	4,348
Increase in restricted assets, net of interest income	(900)	(2,014)
Increase in other assets	(49)	(887)
Net cash used in investing activities	(114,163)	(504,920)
Cash flows from financing activities:		
Proceeds from long-term debt	127,000	217,000
Principal payments on notes payable and long-term debt	(219,510)	(175,053)
Change in book overdraft	(8,835)	47
Proceeds from option and warrant exercises	17,204	4,952
Excess tax benefit associated with equity-based compensation	5,647	696
Distributions to noncontrolling interests	(8,232)	-
Payments for repurchase of common stock	(31,527)	(40,168)
Proceeds from secondary stock offering, net	393,930	-
Debt issuance costs	(349)	(42)
Net cash provided by financing activities	275,328	7,432
Net increase (decrease) in cash and equivalents	355,826	(255,243)
Cash and equivalents at beginning of period	10,298	265,264
Cash and equivalents at end of period	$ 366,124	$ 10,021

Non-cash financing activity:

Liabilities assumed and notes payable issued to sellers of businesses acquired	$ 3,789	$ 39,782

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

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

1. BASIS OF PRESENTATION AND SUMMARY

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries ("WCI" or the "Company") for the three and nine month periods ended September 30, 2008 and 2009. In the opinion of management, the accompanying balance sheets and related interim statements of income, cash flows and equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with U.S. generally accepted accounting principles ("GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Examples include accounting for landfills, self-insurance, income taxes, allocation of acquisition purchase price and asset impairments. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation, claims and assessments in accordance with 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 2008 Annual Report on Form 10-K.

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

2. NEW ACCOUNTING STANDARDS

Business Combinations. In December 2007, the Financial Accounting Standards Board ("FASB") issued new guidance on business combinations. This guidance establishes principles and requirements for how the Company: (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The business combinations guidance also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. This guidance applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted the business combination guidance on January 1, 2009 (see Note 7).

In April 2009, the FASB issued guidance relating to accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. This pronouncement amends the guidance on business combinations to clarify the initial and subsequent recognition, subsequent accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This pronouncement requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value, as determined in accordance with the fair value measurements guidance, if the acquisition-date fair value can be reasonably estimated. If the acquisition-date fair value of an asset or liability cannot be reasonably estimated, the asset or liability would be measured at the amount that would be recognized in accordance with the accounting guidance for contingencies. This pronouncement became effective for the Company as of January 1, 2009, and the provisions of the pronouncement are applied prospectively to business combinations with an acquisition date on or after the date the guidance became effective. The adoption of this pronouncement did not have a material impact on the Company's financial position or results of operations.

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

Fair Value Measurements and Disclosures. The Company's nonfinancial assets and liabilities measured at fair value on a nonrecurring basis include assets and liabilities acquired in connection with a business combination, goodwill, intangible assets and asset retirement obligations recognized in connection with final capping, closure and post-closure landfill obligations. The Company adopted the fair value measurement guidance as it relates to these assets and liabilities on January 1, 2009. See Note 12 for disclosures related to fair value measurement of these assets and liabilities in periods subsequent to their initial measurement.

In April 2009, the FASB issued additional guidance on fair value measurements and disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions. The new guidance requires an evaluation of whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. If there has been a significant decrease in activity, transactions or quoted prices may not be indicative of fair value and a significant adjustment may need to be made to those prices to estimate fair value. Additionally, an entity must consider whether the observed transaction was orderly (that is, not distressed or forced). If the transaction was orderly, the obtained price can be considered a relevant, observable input for determining fair value. If the transaction is not orderly, other valuation techniques must be used when estimating fair value. This guidance, which was applied by the Company prospectively as of June 30, 2009, did not impact the Company's results of operations, cash flows or financial position for the three and nine month periods ended September 30, 2009 (see Note 12).

In August 2009, the FASB issued additional guidance on the fair value measurement of liabilities. The new guidance provides clarification on the measurement and reporting of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. This guidance is effective for the first reporting period beginning after August 2009.

Consolidation – Noncontrolling Interests. In December 2007, the FASB issued guidance on noncontrolling interests which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary (formerly known as minority interest) and for the deconsolidation of a subsidiary. This guidance clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This guidance also requires presentation on the face of the consolidated statement of income of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest, resulting in an increase to consolidated Net income. Historically, Net income attributable to noncontrolling interests was presented as minority interest expense. Under this new guidance, amounts reported as Net income attributable to noncontrolling interests are now reported net of any applicable taxes. The Company's 2008 effective tax rate has been remeasured and reported in a manner consistent with the current measurement approach. This guidance requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company applied this guidance prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which were applied retrospectively for all periods presented.

Derivatives and Hedging. In March 2008, the FASB issued new disclosure requirements for derivative instruments and hedging activities. The new disclosure requirements will provide users of financial statements with an enhanced understanding of: (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative instruments. This statement applies to all entities and all derivative instruments. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this guidance on January 1, 2009 (see Notes 10 and 13).

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

Convertible Debt. In May 2008, the FASB issued guidance that applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. This guidance specifies that issuers of convertible debt instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company adopted this guidance on January 1, 2009, and the guidance has been applied retrospectively to all periods presented.

The adoption of the convertible debt guidance did not affect the Company's total cash flows; however, it did impact the Company's results of operations by increasing interest expense associated with the Company's 3.75% Convertible Senior Notes due 2026 (the "2026 Notes") by adding a non-cash component to amortize a debt discount calculated based on the difference between the cash coupon of the convertible debt instrument and the estimated non-convertible debt borrowing rate. As a result, the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Equity and Comprehensive Income and certain line items comprising the subtotal for Net cash provided by operating activities in the Company's Condensed Consolidated Statements of Cash Flows have been affected by the adoption of this pronouncement. For additional disclosures regarding the terms of the 2026 Notes and how this instrument has been reflected in the Company's Condensed Consolidated Financial Statements for the period ended September 30, 2009, see Note 6. The Company has elected not to apply the provisions of the convertible debt guidance to its 2022 Floating Rate Convertible Subordinated Notes, which were issued in 2002. In April 2006, these notes became convertible and were called for redemption; therefore, these notes were not outstanding during any of the periods presented in the Company's condensed consolidated financial statements for the period ended September 30, 2009 or any financial statements that will be presented in the Company's Annual Report on Form 10-K for the year ending December 31, 2009.

Intangible Assets. In April 2008, the FASB issued guidance on determining the useful life of intangible assets. The intent of the guidance is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. This guidance requires an entity to disclose information for a recognized intangible asset that enables users of the financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company adopted this guidance on January 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial position or results of operations.

Financial Instruments. In April 2009, the FASB issued guidance to require disclosures about fair value of financial instruments in interim financial statements, in addition to the annual financial statements as already required. This guidance, which was applied by the Company prospectively as of June 30, 2009, did not have a material impact on the Company's results of operations, cash flows or financial position (see Note 4).

WASTE CONNECTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
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Subsequent Events. In May 2009, the FASB issued guidance on subsequent events which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance is based on the same principles as currently exist in auditing standards and was issued by the FASB to include accounting guidance that originated as auditing standards into the body of authoritative literature issued by the FASB. The standard addresses the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted this guidance during the quarterly period ended June 30, 2009. For the quarter ended September 30, 2009, the Company evaluated subsequent events through October 26, 2009, which was the date the accompanying financial statements were available to be issued.

3. STOCK-BASED COMPENSATION

A summary of activity related to restricted stock and restricted stock units under the 2002 Restricted Stock Plan and the Second Amended and Restated 2004 Equity Incentive Plan (as amended and restated), as of December 31, 2008, and changes during the nine month period ended September 30, 2009, is presented below:

	Unvested Shares
Outstanding at December 31, 2008	906,572
Granted	391,684
Forfeited	(24,677)
Vested	(269,170)
Outstanding at September 30, 2009	1,004,409

The weighted average grant date fair value per share for the shares of common stock underlying the restricted stock units granted during the nine month period ended September 30, 2009 was $26.25. During the nine months ended September 30, 2008 and 2009, the Company's stock-based compensation expense from restricted stock and restricted stock units was $5,405 and $6,450, respectively.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash, trade receivables, restricted assets, trade payables, debt instruments, interest rate swaps and commodity swaps. As of December 31, 2008 and September 30, 2009, 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 2026 Notes and the 6.22% Senior Notes due 2015 (the "2015 Notes"), approximate their fair values as of December 31, 2008 and September 30, 2009, based on current borrowing rates for similar types of borrowing arrangements. The 2026 Notes had a carrying value of $189,070 and $192,583 and a fair value of approximately $217,200 and $210,192 at December 31, 2008 and September 30, 2009, respectively, based on the publicly quoted trading price of these notes. The 2015 Notes had a carrying value of $175,000 and a fair value of approximately $160,213 and $186,813 at December 31, 2008 and September 30, 2009, respectively, based on quotes of bonds with similar ratings in similar industries. For details on the fair value of the Company's interest rate and fuel commodity swaps, refer to Note 12.

5. LANDFILL ACCOUNTING

At September 30, 2009, the Company owned 34 landfills, and operated, but did not own, three landfills under life-of-site operating agreements and seven landfills under limited-term operating agreements. The Company's landfills had site costs with a net book value of $745,877 at September 30, 2009. With the exception of two owned landfills that only accept construction and demolition waste, all landfills that the Company owns or operates are municipal solid waste landfills. For the Company's seven landfills operated under limited-term operating agreements, the owner of the property (generally a municipality) usually owns the permit and is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities for the three landfills that it operates under life-of-site operating agreements.

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

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

Based on remaining permitted capacity as of September 30, 2009, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is approximately 44 years. The Company is currently 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 54 years, with lives ranging from 3 to 185 years.

During the nine months ended September 30, 2008 and 2009, the Company expensed $16,831 and $23,195, respectively, or an average of $2.63 and $2.93 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

The Company reserves for final capping, closure and post-closure maintenance obligations at the landfills it owns and landfills it operates under life-of-site operating agreements. The Company calculates the net present value of its final capping, closure and post-closure commitments by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. Downward revisions (or if there are no changes) to the estimated undiscounted cash flows are inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company's capping, closure and post-closure liabilities being recorded in "layers." At January 1, 2009, the Company increased its discount rate assumption for purposes of computing 2009 "layers" for final capping, closure and post-closure obligations from 7.5% to 9.25%, in order to more accurately reflect the Company's long-term cost of borrowing as of the end of 2008. Consistent with the prior year, the Company's inflation rate assumption is 2.5%. The resulting final capping, closure and post-closure obligation is recorded on the balance sheet as an addition to site costs and amortized to depletion expense as the landfills' airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the nine months ended September 30, 2008 and 2009, the Company expensed $1,066 and $1,496, respectively, or an average of $0.17 and $0.19 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

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The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2008 to September 30, 2009:

Final capping, closure and post-closure liability at December 31, 2008	$ 22,002
Adjustments to final capping, closure and post-closure liabilities	(1,406)
Liabilities incurred	1,454
Accretion expense	1,496
Closure payments	(674)
Assumption of closure liabilities from acquisitions	8,488
Final capping, closure and post-closure liability at September 30, 2009	$ 31,360

The Adjustments to final capping, closure and post-closure liabilities primarily consisted of revisions in cost estimates and decreases in estimates of annual tonnage consumption across the majority of the Company's landfills, as well as an increase in estimated airspace at one of the Company's landfills at which an expansion is being pursued. The Company performs its annual review of its cost and capacity estimates in the fourth quarter of each year.

At September 30, 2009, $23,099 of the Company's restricted assets balance was for purposes of settling future final capping, closure and post-closure liabilities.

6. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2008	September 30, 2009
Revolver under Credit Facility, bearing interest ranging from 0.87% to 3.25%*	$ 400,000	$ 461,000
2026 Notes, bearing interest at 3.75%, net of discount of $10,930 and $7,417 as of December 31, 2008 and September 30, 2009, respectively	189,070	192,583
2015 Notes, bearing interest at 6.22%	175,000	175,000
Tax-Exempt Bonds, bearing interest ranging from 0.34% to 7.25%*	53,960	50,825
Notes payable to sellers in connection with acquisitions, bearing interest at 5.5% to 10.35%*	4,888	4,960
Notes payable to third parties, bearing interest at 1.0% to 10.9%*	1,608	2,040
	824,526	886,408
Less – current portion	(4,698)	(2,686)
	$ 819,828	$ 883,722

* Interest rates in the table above represent the range of interest rates incurred during the nine month period ended September 30, 2009.

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As discussed in Note 2, effective January 1, 2009, the Company adopted a new pronouncement on convertible debt which affected the Company's accounting and disclosure for its 2026 Notes. Consistent with the transition guidance in this convertible debt pronouncement, the Company's adoption of this pronouncement is being treated as a change in accounting principle that is being applied retrospectively to all periods presented. The cumulative effect of the change in accounting principle on periods prior to those presented in the Company's Condensed Consolidated Financial Statements for the period ended September 30, 2009, has been reflected as an offsetting adjustment to the December 31, 2007, balances of Additional paid-in capital and Retained earnings in the Company's Condensed Consolidated Statements of Equity. A description of the prior-period information that has been retrospectively adjusted is provided below.

The 2026 Notes were issued in March 2006 and bear interest at a rate of 3.75% per annum on a total principal of $200,000. The 2026 Notes are convertible into cash and, if applicable, shares of the Company's common stock based on an initial conversion rate of 29.4118 shares of common stock per $1 principal amount of 2026 Notes (which is equal to an initial conversion price of approximately $34.00 per share), subject to adjustment, and only under certain circumstances. Upon a surrender of the 2026 Notes for conversion, the Company will deliver cash equal to the lesser of the aggregate principal amount of notes to be converted or its total conversion obligation. The Company will deliver shares of its common stock in respect of the excess amount, if any, of its conversion obligation over the amount paid in cash. Based on the Company's share price at September 30, 2009, the "if-converted" value of the 2026 Notes does not exceed the principal amount of the notes.

The holders of the 2026 Notes who convert their notes in connection with a change in control may be entitled to a make-whole premium in the form of an increase in the conversion rate. Beginning on April 1, 2010, the Company may redeem in cash all or part of the 2026 Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest, including additional interest, if any, and if redeemed prior to April 1, 2011, an interest make-whole payment. The holders of the 2026 Notes can require the Company to repurchase all or a part of the 2026 Notes in cash on each of April 1, 2011, 2016 and 2021 and, in the event of a change of control of the Company, at a purchase price of 100% of the principal amount of the 2026 Notes plus any accrued and unpaid interest, including additional interest, if any.

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

In addition to computing the initial liability and equity components of the 2026 Notes upon adoption of the convertible debt pronouncement, the Company also computed the amount of direct transaction costs to be allocated between the liability and equity components of the 2026 Notes at the date of issuance. The Company allocated direct transaction costs, totaling $5,534, between the liability and equity components in an amount proportionate to the allocation of the proceeds of the 2026 Notes. This computation resulted in $4,904 and $630 being allocated to the liability and equity components of the 2026 Notes, respectively. The amount allocated to the equity component, net of the tax effect of $240, is reflected in the adjustment to the opening balance of Additional paid-in capital in the Company's Condensed Consolidated Statements of Equity.

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Subsequent to the initial measurement of the liability and equity components, and the related direct transaction costs, as of the issuance date of the 2026 Notes, the Company calculated an amortization schedule for the excess of the principal amount of the liability component over its carrying amount (the "debt discount"), using the interest method. The debt discount is being amortized over a five-year period through April 1, 2011, representing the first date on which holders of the 2026 Notes may require the Company to repurchase all or a portion of their notes. In addition, the Company calculated the adjusted debt issuance cost amortization on the portion of direct transaction costs allocated to the liability component, which is recognized as interest expense in the Company's Condensed Consolidated Statements of Income. The adjustment to the debt issuance cost amortization subsequent to adoption of the convertible debt pronouncement relates to the portion of direct transaction costs allocated to the equity component. These costs were recognized as a reduction to the carrying value of the equity component, which is not amortized.

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

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A summary of the financial statement line items that have been retrospectively adjusted as a result of the Company's adoption of the new convertible debt pronouncement is presented in the table below:

Condensed Consolidated Balance Sheet	December 31, 2008 Balance as Reported in the 2008 Annual Report on Form 10-K	Cumulative Retrospective Adjustment	December 31, 2008 Balance as Presented in the September 30, 2009 Quarterly Report on Form 10-Q
Other assets, net	$ 20,922	$ (283)	$ 20,639
Long-term debt and notes payable	$ 830,758	$ (10,930)	$ 819,828
Deferred income tax liabilities	$ 251,514	$ 4,045	$ 255,559
Additional paid-in capital	$ 647,829	$ 13,726	$ 661,555
Retained earnings	$ 630,037	$ (7,124)	$ 622,913

Condensed Consolidated Statement of Income	Balance for the Three Month Period Ended September 30, 2008, as Reported in the September 30, 2008 Quarterly Report on Form 10-Q	Retrospective Adjustment	Balance for the Three Month Period Ended September 30, 2008, as Presented in the September 30, 2009 Quarterly Report on Form 10-Q
Interest expense	$ 8,887	$ 1,069	$ 9,956
Income tax provision	$ 15,419	$ (406)	$ 15,013
Operating income	$ 56,695	$ -	$ 56,695
Net income	$ 32,085	$ (663)	$ 31,422
Basic earnings per share	$ 0.42	$ (0.01)	$ 0.41
Diluted earnings per share	$ 0.41	$ (0.01)	$ 0.40

Condensed Consolidated Statement of Income	Balance for the Nine Month Period Ended September 30, 2008, as Reported in the September 30, 2008 Quarterly Report on Form 10-Q	Retrospective Adjustment	Balance for the Nine Month Period Ended September 30, 2008, as Presented in the September 30, 2009 Quarterly Report on Form 10-Q
Interest expense	$ 27,488	$ 3,209	$ 30,697
Income tax provision	$ 47,370	$ (1,219)	$ 46,151
Operating income	$ 163,083	$ -	$ 163,083
Net income	$ 88,617	$ (1,990)	$ 86,627
Basic earnings per share	$ 1.16	$ (0.03)	$ 1.13

Diluted earnings per share	$	1.14	$	(0.03)	$	1.11

Condensed Consolidated Statement of Cash Flows		Balance for the Nine Month Period Ended September 30, 2008, as Reported in the September 30, 2008 Quarterly Report on Form 10-Q		Retrospective Adjustment		Balance for the Nine Month Period Ended September 30, 2008, as Presented in the September 30, 2009 Quarterly Report on Form 10-Q
Deferred income taxes, net of acquisitions	$	25,550	$	(1,219)	$	24,331
Amortization of debt issuance costs	$	1,450	$	(94)	$	1,356
Amortization of debt discount	$	-	$	3,303	$	3,303

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For the financial statement line items adjusted as a result of the Company's adoption of the new convertible debt pronouncement, the balances as of, or for the period ended, September 30, 2009, that would have been reported prior to the Company's adoption of the new convertible debt pronouncement, are presented in the table below:

Condensed Consolidated Balance Sheet	September 30, 2009 Balance as Reported in the September 30, 2009 Quarterly Report on Form 10-Q		Adjustment		September 30, 2009 Balance Prior to Adoption of New Convertible Debt Pronouncement	
Other assets, net	$	20,753	$	189	$	20,942
Long-term debt and notes payable	$	883,722	$	7,417	$	891,139
Deferred income tax liabilities	$	294,467	$	(2,747)	$	291,720
Additional paid-in capital	$	631,508	$	(13,726)	$	617,782
Retained earnings	$	709,479	$	9,244	$	718,723

Condensed Consolidated Statement of Income	Balance for the Three Month Period Ended September 30, 2009, as Reported in the September 30, 2009 Quarterly Report on Form 10-Q		Adjustment		Balance for the Three Month Period Ended September 30, 2009 Prior to Adoption of New Convertible Debt Pronouncement	
Interest expense	$	12,259	$	(1,139)	$	11,120
Income tax provision	$	19,252	$	433	$	19,685
Operating income	$	64,761	$	-	$	64,761
Net income	$	34,263	$	706	$	34,969
Basic earnings per share	$	0.43	$	0.01	$	0.44
Diluted earnings per share	$	0.43	$	0.01	$	0.44

Condensed Consolidated Statement of Income	Balance for the Nine Month Period Ended September 30, 2009, as Reported in the September 30, 2009 Quarterly Report on Form 10-Q		Adjustment		Balance for the Nine Month Period Ended September 30, 2009 Prior to Adoption of New Convertible Debt Pronouncement	
Interest expense	$	36,817	$	(3,418)	$	33,399
Income tax provision	$	50,070	$	1,299	$	51,369
Operating income	$	171,814	$	-	$	171,814
Net income	$	87,257	$	2,119	$	89,376

Basic earnings per share	$	1.09	$	0.03	$	1.12
Diluted earnings per share	$	1.08	$	0.03	$	1.11

Condensed Consolidated Statement of Cash Flows	Balance for the Nine Month Period Ended September 30, 2009, as Reported in the September 30, 2009 Quarterly Report on Form 10-Q		Adjustment		Balance for the Nine Month Period Ended September 30, 2009 Prior to Adoption of New Convertible Debt Pronouncement	
Deferred income taxes, net of acquisitions	$	28,605	$	1,299	$	29,904
Amortization of debt issuance costs	$	1,455	$	95	$	1,550
Amortization of debt discount	$	3,513	$	(3,513)	$	-

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For the nine month periods ended September 30, 2008 and 2009, the total interest expense recognized by the Company relating to both the contractual interest coupon and amortization of the non-cash debt discount on the 2026 Notes was $8,928 ($5,536, net of taxes) and $9,138 ($5,666, net of taxes), respectively. The portion of total interest expense related to the contractual interest coupon on the 2026 Notes during each of the nine month periods ended September 30, 2008 and 2009 was $5,625 ($3,488, net of taxes). The portion of total interest expense related to amortizing the non-cash debt discount during the nine month periods ended September 30, 2008 and 2009 was $3,303 ($2,048, net of taxes) and $3,513 ($2,178, net of taxes), respectively. The effective interest rate on the liability component for the nine month periods ended September 30, 2008 and 2009 was 6.4%. As of September 30, 2009, the Company has six quarterly periods remaining over which the debt discount will be amortized.

The following table presents information regarding the values at which the following items are carried in the Company's December 31, 2008 and September 30, 2009 Condensed Consolidated Balance Sheets:

	December 31, 2008	September 30, 2009
Carrying amount of equity component	$ 13,726	$ 13,726
Principal amount of liability component	$ 200,000	$ 200,000
Unamortized discount on liability component	(10,930)	(7,417)
Net carrying amount of liability component	$ 189,070	$ 192,583

At September 30, 2009, the 2026 Notes did not meet any of the conditions for conversion. Under the new convertible debt pronouncement, upon conversion of the 2026 Notes, the Company will be required to allocate the fair value of the consideration transferred and any transaction costs incurred between the equity and liability components. This will be done by first allocating to the liability component an amount equal to the fair value of the liability component immediately prior to its conversion, with the residual consideration allocated to the equity component. Any gain or loss equal to the difference between the consideration allocated to the liability component and the carrying value of the liability component, including any unamortized debt discount or issuance costs, will be recorded in earnings.

7. ACQUISITIONS

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

For all acquisitions completed prior to the Company's adoption of the new business combination pronouncement, the acquisition purchase prices were allocated to the identified intangible assets and tangible assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition, with any residual amounts allocated to goodwill. Purchase price allocations were considered preliminary until the Company was no longer waiting for information that it arranged to obtain and that was known to be available or obtainable. Although the time required to obtain the necessary information varied with circumstances specific to an individual acquisition, the "allocation period" for finalizing purchase price allocations did not exceed one year from the consummation of a business combination. Any adjustments made during the allocation period were recorded prospectively as an adjustment to the acquired goodwill from the business combination.

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

During the nine months ended September 30, 2008, the Company acquired seven individually immaterial non-hazardous solid waste collection and recycling businesses.

During the three months ended June 30, 2009, the Company completed the acquisition of 100% interests in certain operations from Republic Services, Inc. and some of its subsidiaries and affiliates ("Republic"). The operations were divested as a result of Republic's merger with Allied Waste Industries, Inc. The operations acquired include seven municipal solid waste landfills, six collection operations and three transfer stations across eight markets: Southern California; Northern California; Denver, CO; Houston, TX; Greenville/Spartanburg, SC; Charlotte, NC; Lubbock, TX; and Flint, MI. The Company paid $379,377 in existing cash 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. Total revenues for the three and nine months ended September 30, 2009, generated from the Republic operations and included within consolidated revenues were $35,088 and $66,215, respectively. Total pre-tax earnings for the three and nine months ended September 30, 2009, generated from the Republic operations and included within consolidated income before income taxes were $1,434 and $3,935, respectively. Pursuant to the asset purchase agreement, the Company is required to remit additional consideration to Republic if certain acquired operations exceed earnings targets specified in the agreement. The Company has not recorded a liability because the fair value of the contingent consideration is not material. Any changes in fair value of the contingent consideration subsequent to the acquisition date will be charged to expense until the contingency is settled. The Company expects these acquired businesses to contribute towards the achievement of the Company's growth strategy of expansion through acquisitions.

During the three months ended September 30, 2009, the Company completed the acquisition of a 100% interest in Sanipac, Inc. ("Sanipac"), a provider of collection services in Oregon, in exchange for total consideration of $43,817. As part of this acquisition, the Company acquired a 75% interest in EcoSort, LLC, a provider of recycling services, resulting in a 25% noncontrolling interest that was recognized at fair value on the purchase date. Pursuant to the stock purchase agreement, the Company is required to remit up to $4,500 of additional consideration to the former shareholders of Sanipac if the acquired operations exceed earnings targets specified in the stock purchase agreement over a three-year period ending July 31, 2012. The Company computed the fair value of the contingent consideration using a probability-weighted discounted cash flow methodology, which resulted in an obligation recognized at the purchase date totaling $4,274. Any changes in the fair value of the contingent consideration subsequent to the acquisition date will be charged to expense until the contingency is settled. The Company expects these acquired businesses to contribute towards the achievement of the Company's growth strategy of expansion through acquisitions.

In addition to the acquisitions from Republic and the acquisition of Sanipac, the Company acquired four individually immaterial non-hazardous solid waste collection, disposal and recycling businesses during the nine months ended September 30, 2009. The results of operations of the acquired businesses have been included in the Company's consolidated financial statements from their respective acquisition dates. The acquisitions completed during the nine months ended September 30, 2008 and 2009, were not material to the Company's results of operations, either individually or in the aggregate. As a result, pro forma financial information has not been provided.

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The following table summarizes the consideration transferred to acquire these businesses and the amounts of identified assets acquired, liabilities assumed and noncontrolling interest associated with business acquired at the acquisition date for acquisitions consummated in the nine months ended September 30, 2008 and 2009:

	2008 Acquisitions	2009 Acquisitions
Fair value of consideration transferred:		
Cash	$ 34,139	$ 418,666
Debt assumed	2,293	16,423
Contingent consideration	-	4,274
Common stock warrants	31	-
	36,463	439,363
Recognized amounts of identifiable assets acquired, liabilities assumed and noncontrolling interest associated with business acquired:		
Accounts receivable	1,316	15,355
Other current assets	351	4,135
Property and equipment	4,873	308,335
Long-term franchise agreements and contracts	16,052	9,325
Customer lists	869	33,620
Other intangibles	-	19,133
Non-competition agreements	35	-
Other long-term assets	-	500
Accounts payable	(137)	(1,369)
Accrued liabilities	(90)	(2,183)
Deferred revenue	(618)	(4,754)
Noncontrolling interest	-	(1,514)
Other long-term liabilities	-	(8,489)
Deferred income taxes	(651)	(5,050)
Total identifiable net assets	22,000	367,044
Goodwill	$ 14,463	$ 72,319

The goodwill is attributable to the synergies and ancillary growth opportunities expected to arise after the Company's acquisition of these businesses. Goodwill acquired in the nine months ended September 30, 2009, totaling $40,812, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to two acquisitions completed during the nine months ended September 30, 2009, is provisional pending receipt of information from the acquiree to support the fair value of the assets acquired and liabilities assumed.

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The gross amount of trade receivables due under contracts acquired during the period ended September 30, 2008, is $1,959, of which $643 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the period ended September 30, 2009, is $16,132, of which $777 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of these businesses.

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 nine month periods ended September 30, 2008 and 2009, is as follows:

	2008 Acquisitions	2009 Acquisitions
Cash consideration transferred	$ 34,139	$ 418,666
Payment of contingent consideration	-	2,000
Payment of acquisition-related liabilities	1,038	1,412
Payments for acquisitions, net of cash acquired	$ 35,177	$ 422,078

The $2,000 of contingent consideration paid during the nine months ended September 30, 2009 represented additional purchase price for an acquisition closed in 2007. Acquisition-related liabilities are liabilities paid in the year shown above that were accrued for in a previous year.

During the three and nine month periods ended September 30, 2009, the Company incurred $897 and $4,179 of third-party acquisition-related costs. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Income for the three and nine month periods ended September 30, 2009.

8. INTANGIBLE ASSETS

Intangible assets, exclusive of goodwill, consist of the following at September 30, 2009:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 188,610	$ (17,530)	$ 171,080
Customer lists	55,541	(8,429)	47,112
Non-competition agreements	9,732	(5,593)	4,139
Other	23,156	(2,815)	20,341
	277,039	(34,367)	242,672
Nonamortized intangible assets:			
Indefinite-lived intangible assets	116,160	-	116,160
Intangible assets, exclusive of goodwill	$ 393,199	$ (34,367)	$ 358,832

The weighted-average amortization periods of long-term franchise agreements and contracts, customer lists and other intangibles acquired during the nine months ended September 30, 2009, are 33.0 years, 9.7 years and 38.1 years, respectively.

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:			
Long-term franchise agreements and contracts	$ 179,674	$ (12,751)	$ 166,923
Customer lists	22,083	(4,951)	17,132
Non-competition agreements	9,751	(5,157)	4,594
Other	4,024	(2,389)	1,635
	215,532	(25,248)	190,284
Nonamortized intangible assets:			
Indefinite-lived intangible assets	116,160	-	116,160
Intangible assets, exclusive of goodwill	$ 331,692	$ (25,248)	$ 306,444

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

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

For the year ending December 31, 2009	$12,991
For the year ending December 31, 2010	$14,326
For the year ending December 31, 2011	$14,174
For the year ending December 31, 2012	$13,855
For the year ending December 31, 2013	$12,444

9. SEGMENT REPORTING

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

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

The segment information presented herein reflects the realignment of the Company's organizational structure in the second quarter of 2008, which reduced the number of its geographic operating segments from four to three.

The Company's Chief Operating Decision Maker ("CODM") evaluates operating segment profitability and determines resource allocations based on operating income (loss) before depreciation, amortization and gain (loss) on disposal of assets. Operating income (loss) 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 (loss) 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.

WASTE CONNECTIONS, INC.
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(Unaudited)
(Dollar amounts in thousands, except share, per share, per gallon and per ton amounts)

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2008 and 2009, is shown in the following tables:

Three Months Ended September 30, 2008	Gross Revenues	Intercompany Revenues(b)	Net Revenue	Operating Income (Loss) Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets(c)
Western	$ 145,355	$ (12,909)	$ 132,446	$ 39,496
Central	89,333	(10,152)	79,181	21,646
Southern	72,136	(11,061)	61,075	16,878
Corporate(a)	-	-	-	3,125
	$ 306,824	$ (34,122)	$ 272,702	$ 81,145

Three Months Ended September 30, 2009	Gross Revenues	Intercompany Revenues(b)	Net Revenue	Operating Income (Loss) Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets(c)
Western	$ 185,233	$ (22,143)	$ 163,090	$ 49,236
Central	85,899	(9,019)	76,880	25,657
Southern	90,654	(14,634)	76,020	23,032
Corporate(a)	-	-	-	1,872
	$ 361,786	$ (45,796)	$ 315,990	$ 99,797

Nine Months Ended September 30, 2008	Gross Revenues	Intercompany Revenues(b)	Net Revenue	Operating Income (Loss) Before Depreciation, Amortization and Gain (Loss) on Disposal of Assets(c)
Western	$ 419,578	$ (38,294)	$ 381,284	$ 114,412
Central	257,068	(29,341)	227,727	66,439
Southern	213,743	(32,719)	181,024	53,629
Corporate(a)	-	-	-	849
	$ 890,389	$ (100,354)	$ 790,035	$ 235,329

Nine Months Ended September 30, 2009	Gross Revenues	Intercompany Revenues(b)	Net Revenue