



BFI CANADA INCOME FUND

FOURTH QUARTER 2008

CONFERENCE CALL

FEBRUARY 27, 2009

OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the BFI Canada Ltd's Fourth Quarter Conference Call. At this time, all participants are in a listen-only mode. Following the presentation we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for question. If anyone has any difficulties hearing the conference, please press star followed by zero for operator assistance at any time.

I would like to remind everyone that this conference call is being recorded on Friday, February 27, 2009, at 8:30 a.m. Eastern Time. I will now turn the conference over to Chaya Cooperberg, Director, Investor Relations and Corporate Communications. Please go ahead.

CHAYA COOPERBERG (DIRECTOR, INVESTOR RELATIONS AND CORPORATE COMMUNICATIONS): Thank you. Good morning, everyone, and thank you for joining us today. On the call today is Keith Carrigan, Vice Chairman and Chief Executive Officer; and Tom Cowee, Vice President and Chief Financial Officer, both of whom will be providing comments on the results of our 3 and 12-month ended December 31st 2008. Also on the call are Mickey Flood, President and Joe Quarin, Executive Vice-President and Canadian Chief Operating Officer, both of

whom will be available to answer questions during the question and answer period.

Before we get started, let me just remind you that our remarks and answers to your questions today may contain forward-looking information about future events or the Company's future performance. Although forward-looking statements are based on what management believes to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with these forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We also do not commit to continue reporting on items or issues that arise either during our presentation or in the discussion that will follow, except that required by applicable securities laws. This information by its nature is subject to risks and uncertainties that may cause actual events or results to differ materially. Please refer to the bottom of our news release yesterday for further information and to our Annual Information Form for a more complete description of the risks affecting our business and industry.

By now, we hope you've had a chance to review the news release that we issued yesterday; you can log on to our website to get a copy at

www.bficanada.com and we will a telephone replay of this conference available until midnight on March 13th and you can dial into 416-640-1917 or 877-289-8525, reservation number 21295852. These details are also available in our news release.

I would now like to turn the call over to Keith Carrigan, Vice Chairman and CEO.

KEITH CARRIGAN (VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER): Thank you, Chaya, and good morning and welcome everyone. I would like to begin today's discussion by indicating that, first, we are very pleased with our performance. We continue to be strong despite a difficult economic climate; record fuel prices throughout most of the year and the decline in recycling commodity prices in the fourth quarter.

Our revenue and EBITDA growth rates are still setting the pace within the solid waste services sector. The level of organic growth in our business and the high EBITDA margins we have maintained, place us in the top tier performers once again within our industry.

Our results demonstrate that our market-focused strategies remain effective even during periods of general economic weakness. Before Tom provides a detailed review of our financial results, I'll provide some color on

our performance in the quarter and the year, as well as our outlook for 2009, I'll also discuss our recent Bought Deal transaction.

Turning to our financial results first. Revenues in the quarter grew more than 19% to 298.9 million. For the year, we reached a financial milestone with revenues over \$1.1 billion, an increase of 21.8% over the prior year.

In Canada, organic revenue growth was 5.9% quarter-over-quarter and 9.7% year-over-year. In our US segment, organic revenues declined 4% quarter-over-quarter, but increased 2.4% year-over-year. Organic growth excludes acquisitions and fuel and environmental surcharges. These results are driven by a combination of core price and volume strategies and we are benefiting from applying the same strategies to acquisitions we have made in prior years.

In the quarter for Canada, we had positive gains with volume increasing 2.5% and price increasing 4%, offset by a commodity pricing decline of 0.6%. In the US, the decline of organic revenues was due in large part to a decline in volumes of 4.6%, for a price in the US increased 2%, offset by a commodity pricing decline of 1.4%.

Our organic revenues in the S, and particularly in the Northeast segment were affected by falling commodity prices in our Recycling

business during the quarter. The sudden drop in recycling commodity prices was a head win for us in the quarter as it was for the broader waste services' sector, and as we indicated it would be in our third quarter call. Fortunately, during the quarter, we fully mitigated the impact in the US South and in Canada with only a brief lag of approximately one month. This is very similar to the time lag we typically had seen with our fuel surcharges.

There was a negative impact to EBITDA of approximately \$2.5 million in the US Northeast in the fourth quarter as it took more time to pass through the increased material processing costs within that region. However, we expect to recover the monthly shortfall in the first quarter of this year through price increases.

We are starting to see commodity prices for materials such as OCC recover from their lows in the past quarter. Pricing appears to be moving moderately higher and volumes are slowly picking up as manufacturers in countries such as China start to restock on recycled materials. In any case, we expect any continuing commodity pricing weakness to be offset going forward.

Our financial performance reflects our ability to adjust quickly to address the challenging environment that we face. EBITDA reached \$83.2

million in the quarter, an increase of 19.9% and \$310.2 million in 2008, an increase of 12.6%.

If we exclude the impact of foreign exchange, EBITDA increased 5.9% in the fourth quarter and 13% in 2008. Once again, removing the impact of foreign exchange in our reported financials, along with one-time items related mainly to compensation expense, I'm very pleased to announce our EBITDA was in excess of \$300 million in 2008.

Our net income increased 120% to \$10.8 million in the quarter and 47% to \$46.6 million for the year. This resulted in fully diluted earnings per share of \$0.19 in the quarter and \$0.81 for the year.

Our free cash flow which includes the deduction of both replacement and growth capital was \$22.5 million in the quarter, an increase of 319% and \$102.5 million in 2008, an increase of 54%.

Our cash earnings per share on a fully diluted basis was \$0.33 in the quarter, and \$1.49 for the year. This record level of free cash flow in the phase of deteriorating economic climate really highlights the effectiveness of our business model of accretive acquisition and organic growth strategies.

We are cash flow positive in both our US and Canadian operations and have the ability to fund our replacement and growth capital

requirements: our dividend commitments, and also to service our debts through the use of internally generated cash flow. We further anticipate additional excess free cash flow to be available for uses that we will determine as the year progresses.

Our conversion from an income trust to a corporation on October 1st, 2008, and the introduction of our new dividend policy were very important steps in positioning ourselves for the future and providing us with a stable source of cash flow to sustain our business model.

Looking at our financial results by operating segment; we do see different trends at work. However, both our US South and Canadian segments closed the year on a strong note, which helped to offset the lingering economy-related weakness in our US Northeast segment.

In the fourth quarter revenues in Canada increased to 11.3%, while EBITDA increased 11.1%. For the year, revenue growth in Canada was 16.2% and EBITDA growth was 11.1%. In the US South revenues grew nearly 31% and EBITDA grew 64% quarter-over-quarter respectively. For the year, revenues in the South segment increased 14.7% and EBITDA increased 24%.

Both our Canadian and US South segments are improving as a result of our price and volume strategies on the collection side of the

business, while landfills in both regions are also maintaining price and volume strength. In our Northeast US segment, revenues increased 16.4% in the quarter and 37.2% in the year, while EBITDA grew about 1% in the quarter and 5.4% in the year.

The decline in diesel fuel prices did help reduce some of our operating expenses in the last month of the quarter in the US Northeast, where we have the most exposure given our use of third-party collectors.

However, economic conditions in the US northeast continue to be weak in the fourth quarter, affecting volumes at our landfill sites and transfer stations in the regions. As I mentioned earlier, the decline in recycling commodity prices also affected us the most in the US Northeast, as we are unable to pass through the pricing changes as quickly as we could in our other two segments. We expect to see an improvement in the first quarter in this area versus the fourth quarter of 2008, as the pricing strategies we have introduced to offset the reduction in the price of recycle material sold take effect in the US Northeast.

Across our three operating segments our focus is to continue to improve the productivity of our assets by targeting new customers and increasing collection volumes in each one. Our asset utilization is

improving, our competitive position in our markets are strong, and we expect to continue to use price and volume as tools for growth in 2009.

Given our discussion of the impact of the economic environment on our business operations, we would like to provide some additional information on our revenues by business line. This will offer further clarity on how each line of business may perform moving forward. We will provide this information by country.

In Canada, based on 2008 gross revenues, the revenues by business line on a percentage basis are as follows: Commercial collection represents 33.9%; industrial collection is 17.9%; residential collection is 13.8%; transfer and disposal is 27.8%; recycling and other is 6.6%. Gross revenue in Canada totaled 437.6 million.

In the US, in US dollars, gross revenue by business line on a percentage basis is as follows: Commercial collection represents 22.7%; industrial collection is 15%; residential collection is 19.3%; transfer and disposal is 36.8%; recycling and other is 6.2%. Gross revenue in the US totaled US \$784.1 million. I hope you find this business line information helpful as you project in the results going forward.

Now, moving on to acquisitions completed during the first quarter and the year. In the fourth quarter, we made two small accretive tuck-in

acquisitions for aggregate cash consideration of \$2.9 million. Overall in 2008 we had a slower pace of acquisition activity than is usual for us with eight acquisitions comprised of seven tuck-ins and one new market entry. As you know, the world's financial and economic changes in the second half of the year made it very difficult to value companies which in turn slowed our acquisition pace.

Throughout 2009 we will maintain a disciplined approach to acquisition growth, carefully monitoring our return on capital deployed and only looking at potential acquisitions that are highly strategic and accretive. As we moved into 2009, we felt that it was essential that we de-lever our balance sheet in our US business, which in turn would enhance our Company's attractive balance sheet. Therefore on February 12th we entered into a bought deal transaction.

The transaction will close on March 6th, 2009. The offering was for 8.5 million common shares of BFI Canada Ltd. at a price of \$9.50 per share, providing us with aggregate gross proceeds of approximately \$81 million. The potential sale of an additional 1.27 million common shares, the 15% over allotment option in the transaction, also at a price of \$9.50 per share, brings the aggregate gross proceeds of the offering to approximately \$93 million.

The net proceeds will be moved across the border into the US's equity, repaying a portion of the outstanding borrowings under our US senior credit facility. I will let Tom fill in more of details on our credit facilities, but I can tell you that applying the net proceeds including the overallotment reduces our leverage in the US business to around 3.5 times range, immediately removing the risk associated with the US covenant adjustment which goes into effect on March 31st, 2009.

By de-levering our balance sheet, we are in a position to focus our efforts on the business and future opportunities. It appears that the US and Canadian economies will take time to recover from this economic downturn, and 2009 will not be an easy year. However, with our stable balance sheet, positive free cash flow in Canada and the US, and the recession-resilient nature of our business we are well positioned for the year ahead.

Now, I will provide our outlook for capital expenditures and free cash flow in 2009. This guidance is based on our current anticipated business without any assumption for large contracts that may require additional capital. Our forecasts are also based on today's economic condition. For the purpose of these estimates we are assuming a US and Canadian dollar at parity.

Total capital expenditures including both replacement and growth capital are expected to be \$20 million to \$30 million less in 2009 compared to 2008. The lower level of expected spending is primarily due to lower internal growth expectations as a result of the economic slowdown in North America.

Our quarterly regular and special dividends as previously announced are unchanged. In 2009, we planned to pay a regular dividend totaling \$0.50 per share for the year. We will also pay a special dividend on a quarterly basis, totaling an additional \$0.50 for the year.

Excess free cash flow after dividends paid will be in the \$40 million to \$50 million range. We believe that in the current economic conditions it is extremely important to focus on growing accretively, with emphasis on improving cash flow and improving the overall quality of our balance sheet.

I will now turn the call over to Tom for additional comments on the financial results of the quarter and the year. Thanks. Go ahead, Tom.

THOMAS COWEE (VICE PRESIDENT AND CHIEF FINANCIAL OFFICER): Thanks, Keith, and good morning everyone. I will begin with a review of our annual income statement, and begin my discussions with operating expenses.

Total operating expenses were up 26.4% year-over-year and are attributable to the additional operating costs necessary to service higher collected waste volumes on a year-over-year basis as a result of acquisitions and organic growth. The balance of the change for the year was principally due to higher vehicle operating costs through the first 10 months of 2008. The impact of increasing fuel prices was most pronounced at our Seneca Meadows Landfill. Fuel and lubricants consume to operate the landfill, together with the fuel price increases charged by third party carriers of waste to the landfill were absorbed the Company which is a direct result of the market operating conditions in the year.

SG&A expenses increased \$24.6 million year-over-year or 22%. Higher total salaries and compensation expense represented \$11.6 million of the total cost increase. Acquisition and organic growth were the primary reasons for this increase. Also as a result of our acquisition and organic growth we saw facility and office costs of approximately \$5.1 million during the year and higher professional and corporate development costs as well.

Amortization expense increased \$17.7 million in 2008, higher intangible and capital asset amortization is due mainly to the acquisitions and growth expenditures through 2007 and 2008. Interest on long-term

debt increased \$10.8 million year-over-year, primarily due to the financing of the Winters Bros. acquisition through debt in 2007, and I will note, however, that we also saw a substantial decline in the variable lending rate in 2008, which offset increase of the financing of growth expenditures, working capital and acquisitions.

We had \$3.5 million of financing costs in 2008 in connection with amendments made to both our Canadian and US senior credit facilities as well as the conversion of an IRB from a floating to fixed rate facility. We also incurred \$3.3 million in conversion cost mainly representing professional fees related to our conversion from an income trust to a corporation.

Turning to our balance sheet. At the end of the year, long-term debt stood at \$1.020 billion, up from \$802 million recorded at the end of the prior year, the increase was largely related to the impact of foreign currency translation of our US debt which accounted for \$184.3 million of the year-over-year increase. As we've explained before, the credit facilities in our Company are country-specific. We have two separate leverage covenants; one in Canada and one in the US.

Funded debt-to-EBITDA for Canada, as of December 31st, 2008 and as defined and calculated in accordance with the underlying credit --

Canadian senior credit facility was 2.1 times versus a maximum funded debt-to-EBITDA covenant of 2.75 times.

In the US the funded debt-to-EBITDA as of December 31st, 2008 and as defined and calculated in accordance with the underlying senior credit facility, was 3.93 times versus our maximum funded debt-to-EBITDA covenant of 4.25 times.

As we discussed in our third quarter call, we are permitted by our Canadian credit facilities to move certain funds to the US, therefore prior to the December 31st, 2008, we moved approximately C\$18 million from the Canadian revolving credit facility into the US as equity and reducing borrowings under our US senior credit facility. The cash was moved into the US to fund a potential accretive acquisition in one of our existing markets.

In addition, the Bought Deal financing discussed by Keith earlier is scheduled to close on March 6th: This transaction will substantially reduce our US total funded debt leverage adding stability and improving the overall quality of our balance sheet both in the US and for the total company.

Applying the new equity on a pro forma basis as if the new equity was in our US balance sheet at December 31st, 2008, the net proceeds

from the transaction including the overallotment option and adjusted by the impact of FX reduces our US total funded debt-to-EBITDA leverage to approximately 3.5 times. This is significantly below the scheduled decrease in the total funded debt covenant in our US senior credit from 4.25 times to 4 times at March 31st, 2009.

On a consolidated basis and calculating both the year and outstanding debt balance and our 2008 EBITDA as if the Canadian and US dollars are always at par, the total funded debt-to-EBITDA ratio at December 31st, 2008, was 3.08 times. Applying the net proceeds from the Bought Deal transaction in the same manner discussed in the US calculation with total company leverage on a pro forma basis at December 31st, 2008 was 2.84 times.

As a reminder, the only debt coming due in 2009 is our \$47 million series A debentures in Canada, which comes due on June 26th, 2009. As we have stated before, we are positioned to absorb this expiring debt obligation within our current Canadian senior credit facility capacity, therefore the transition will be seen.

For total available debt capacity as of December 31st, 2008, between our two senior credit facilities was approximately \$223 million with an additional \$81.5 million potentially available between accordion features in

both facilities. In addition, once closed, the bought deal transaction will add approximately \$70 million more of additional credit capacity in our US operation.

Now turning to our capital and landfill purchases in 2008. Our spending through replacement and growth capital totaled \$148 million in the year. Of this, total replacement capital represented \$89.5 million, and growth capital represented \$58.5 million.

Historically, we have given guidance related to maintenance capital in the income trust structure. For 2008, maintenance capital in Canada was \$20.8 million, and in the US maintenance capital was in US \$37.9 million, both in line with the guidance we provided at the beginning of the year.

The primary differences between the old presentation of capital as an income trust and now as a corporation is in the area of landfill capital. As in the income trust, all landfill construction capital at existing landfills was included in growth capital and then allocated back to maintenance capital on a per time received cost.

Now, as a corporation, all landfill construction capital is classified as replacement capital, and capital for new permits and construction capital

related to a initial for sale of a Greenfield landfill continues to be classified as growth capital.

That brings me to the end of my comments. Again, we are very pleased with the year that we just have completed. We are proud of the milestone of \$1.1 billion in revenues we achieved in 2008 and we look forward to the continuing – to grow in 2009.

With the addition of the new equity, we are now very well positioned with of the stronger balance sheets within the solid waste services' sector. We are well prepared to handle the tough economic environment we now face and we are positioned to execute our business strategy.

Thank you for listening. And now, I'd like to ask the operator to open the lines for questions.

QUESTION AND ANSWER SESSION:

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question please press the star followed by one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the

order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any key.

One moment please for your first question.

First question comes from Sophia Taylor of TD Newcrest. Please go ahead.

SOPHIA TAYLOR: Good morning. My question has to do with the US Northeast, I am trying to piece together some of the plain cards that that were commented on in your prepared commentary. The negative 2.5 million, that was, I think described as the impact of the commodity pricing in Q4 '08 for the US Northeast. Are we then to assume that based on price increases that are now affected since the end of the year that on a quarterly basis going forward that segment will benefit from about the same magnitude going forward?

KEITH CARRIGAN: Well, you know, that – Sophia, it's Keith and good morning. There was obviously a very, very unique situation that the market collapsed within a couple of days, you know, went from combined average price, well in excess of \$100 to no market period, and no market really needs two things, that wasn't just a pricing market at, it also meant that there was – they were not accepting any commodities.

So in other words, there was no location to take commodity at all, which incurred really two issues, one issue is the pricing issue, the second issue was, in fact, that our disposal in that area increased as well, where normally would not have. So, let me say that obviously those materials today, there are market for. You know, the US, and I say this on a broad basis because there is many commodities, but today we are looking at pricing, it is slightly under, you know, \$100 on, in an aggregate and on average, and so as a result and there is a market. So having said that, on the price side of the market, we have – we feel that we have recovered the price impact. And clearly, the disposal that was related to that volume no longer exist because we're now selling the material opposed to disposing of that material. So, you could look at clearly that \$2.5 million as a one-time adjusted of net.

SOPHIA TAYLOR: Okay, great. Thank you. And then, continuing on in the US Northeast, there was a mention of fuel having benefited this segment only in the last month. Wondering if – I suppose, we were to extrapolate that on a – to a quarterly basis or annual going forward? To the extend that these prices obviously remain somewhat in some sort of predictable range, can you – can you quantify, I suppose the benefit is what I am getting after there.

KEITH CARRIGAN: That's kind of moving target, because it moves with the volume that the third parties bring to the site. So relative to seasonality and relative to the economy will determine what that amount is. So, for me to give a defined number, you know, I wouldn't be able to clarify that for you, to give you, you know, advice that you could firmly take on a quarter-by-quarter basis going forward.

SOPHIA TAYLOR: Fair enough, fair enough. Okay, and then just overall I guess more high-level, if the US Northeast experience; what is the risk that that experience can be seen for the other segments going forward?

KEITH CARRIGAN: I hope everybody appreciates that, we try to help everybody along day by giving you revenues by line of business. And I will add, perhaps, a little more color in for you. In terms of how the economy is affecting these lines of business today, the commercial line of business which you can see, you know, is a heavy sector both in our Canada and in the US and by the way I'd say to you that typically is generates one of the better return on capital aspect line of businesses in our sector and in our business. It is holding its own in price and it's holding its own in volume, both in the US and in Canada. And I say that across both areas of the US.

Residential collection typically in downturns does not change. A whole lot of the majority of it is under contract business and so again representing about 14% in Canada, and nearly 20% of our revenue in the US and that will remain consistent going forward. The industrial collection is the area that carries really two pieces; carries the construction and demolition, which you all have heard had been turning softer as the year went through in 2008, and more particularly in the US Northeast.

So, I think we probably, at least we hope we've had somewhat of a bottom, I am not sure that there is much more bottom to be found period In the Northeast in that particular area of the industrial sector. But I also indicated in the third quarter that we are seeing some downturn in the heavy industrial area of MSW that we saw in the Northeast last quarter. And as we enter 2009 , we are seeing a lag in that area as well. You will note again that the – that sector represents roughly about 18% in Canada, and roughly about 15% in the US.

I would say to you that typically that line of business is not one of the higher return on capital lines of business in our sector. Transfer and disposal with a little bit of a downturn in that industrial sector, it does turn down slightly. Where we have more transfer and disposal then we get it effect both in the transfer side and the disposal side. So the Northeast will

or you would have seen in 2008, more of a combined effect because when volumes in the industrial when C&D sector, it affects the transfer and the disposal sector. In Canada, we do not have a lot of transfer, so it's typically disposal and we saw in 2008, that you know pretty much that we were on our target as far as volumes and price were concerned.

In the recycling business in Canada and the US South we have fully recovered price, although look at it at the same way you looked at fuel surcharges, it's typically a lag of one month. So there was a little bit of lag as we reported. For example, in Canada, related to that particular price, that's just the one month lag that obviously we pickup, but we are fully recovering pricing in that area. As we are in the US as of 2009. So in other words, the Northeast we are recovering in 2009 and that was because we have the ability, as you may recall to price granted by New York City later in the last quarter, which we were unable to speed in pricing in January. So, I hope that gives you a flavor of how downturn in an economy affects our business in much more detail.

SOPHIA TAYLOR: Great detail. Thank you.

KEITH CARRIGAN: Great.

SOPHIA TAYLOR: Last question from me, is simply you've commented in the past on your acquisition pipeline, the size of it, wondering if you could please update on that front.

KEITH CARRIGAN: Clearly, we are still in the business of growing. You know, growing today is a much more difficult prospect than it was going back a year or so ago. We were obviously watching the capital markets. We are looking for the most efficient way to deal with our balance sheet. Without a doubt, I would say to you that the purchase price of acquisitions have come down, and – but I would say that that is a buyer – we are right now less driven to be running out and acquiring – and salaries are, you know, holding right now as well. So to summarize that, we have discussions, the pipeline that we have is still there. We would like be able to move into that pipeline on a more efficient basis. So we are watching the conditions very, very carefully and if see the right conditions then I would suggest that we will address growth by acquisition at that time.

SOPHIA TAYLOR: Okay. Thank you.

OPERATOR: And your next question comes from Nav Malik of Scotia Capital. Please go ahead.

NAV MALIK: Great. Thanks very much. Good morning.

KEITH CARRIGAN: Good morning, Nav.

NAV MALIK: I just wanted to first ask on the debt, I have been more – I know with the equity issue you'd repaid some of the US debt, but it is still probably a bit higher than maybe what your target range is, do you have any thoughts in terms of further initiatives towards debt repayment?

KEITH CARRIGAN: I indicated that we anticipate being in a range of having excess of free cash flow and I defined excess free cash flow after dividends and other uses. As an opportunity if we choose to pay down debt, we have the ability to fully fund our dividends out of Canada. So as we incur free cash flow we have the ability if we choose to pay down debt. But let me state that contrary now we are quite happy quite frankly.

NAV MALIK: Okay.

KEITH CARRIGAN: Right now we are sitting at overall leverage that, if you apply it on LTM basis, is roughly around 2.7 to 2.8 times. So you know, the corporation is in a great leverage position. We believe that our US facilities are in a very, very good position, I have always stated that our overall goal was to be roughly the corporation at 2.5 times. If you look at application of free cash flow you probably would say if I applied it, I

would suggest you that we are right on this target that we have always stated that we would like to be, and we feel very, very good about our balance sheet right now.

NAV MALIK: Okay. But I guess in terms of conditional acquisitions and I mean, I know you that are focused tuck-in acquisitions, but in terms of doing anything sizeable, I guess, you are still, probably, first in, you know, focused on the debt side?

KEITH CARRIGAN: We've always had a policy in the Company that when we acquire companies we will do them on an accretive basis to free cash flow. So clearly when opportunities that we feel are important opportunities come forward and we can acquire those opportunities on a free cash flow basis, then clearly, I think we just demonstrated that we do have access to the markets today, and we expect that we will have access going forward and if we are using that capital accretively I then will always be in a position to manage the balance sheet with equity on a positive free cash flow basis.

NAV MALIK: Okay. I also just wanted to ask if you can give us an update on the US lifting, are you still pursuing that or...?

KEITH CARRIGAN: We believe that it's important that we will comp to our peers. You know, at this stage, I think we struggled a little bit to get

that comp because clearly when you look at the metrics of our company today relative to our peers and how we are valued and priced today relative to our peers there is an absolute disconnect.

NAV MALIK: Yeah.

KEITH CARRIGAN: And so, so clearly, we believe that ultimately it's going to be important that that we establish our ability to comp ourselves. So I would suggest to you that you would see in the future that we would put ourselves in that position.

NAV MALIK: What about timing though, any idea on...

KEITH CARRIGAN: You know the world is is moving very quickly, you know, what happens two weeks ago and how we look at the world today certainly seems to be changing. So, let me just say that that we are watching and monitoring conditions very, very carefully. Obviously, both in Canada and in the US and at the appropriate time relative to use of capital as well that we will make a decision at that stage.

NAV MALIK: Okay. In terms of -- I know provided some guidance on some metrics earlier in your prepared comments, but are you going to be providing -- or can you provide maybe organic growth guidance for the two regions or...?

KEITH CARRIGAN: We haven't given organic growth at this stage. We are obviously again watching the market. What we really try to do and I hope we did that engage a lot of clarity on it today, is to indicate that that in most of our important lines of business we talked, we spoke about commercial and we indicated that we are continuing to see commercial be a very stable line of business. At this stage I certainly could tell you that we have been able to price in the commercial markets as well as seeing volume in both the US and in Canada. We obviously in the residential market we've been able to price as well in that particular sector, and certainly in select landfill areas there has been pricing power as well. Then, we are seeing some softness in the heavy industrial area and that will be a little bit of softness in price and in volume in the industrial area. Again that is a smaller area and less has less return on capital than on some of the other sectors.

NAV MALIK: Okay. Great. Thanks very much.

KEITH CARRIGAN: Great.

OPEARATOR: Your next question comes from Youssef Abboud of Clarus Securities. Please go a head.

YOUSSEF ABOUD: Good morning.

KEITH CARRIGAN: Good morning, Youssef.

YOUSSEF ABOUD: Going forward, you mentioned that most of the businesses except for the heavy industrial are still seeing some good aspect on the volume and pricing. Now, with last year – last quarter price increase I think for Canada 4%, US 2%, are we going to see this going forward in terms would you able to continue to raise your prices in line with these levels or is going to slow down a little bit?

KEITH CARRIGAN: Just going back to the last answer, really there are two pieces for the question you asked. Let me address the US issue for one moment. With commodity prices declining and volume in the recycling area declining that had an affect on the overall US pricing. So, consequently you would want to have a look at that, that last quarter. The second step would be to not give you a specific number because we don't issue that, but again, I just reiterate that that we have seeing some good pricing power in the commercial area and in select landfill areas. We've received our typical and expect to receive typical increases in the recycling area. In terms of commodity pricing, we have the ability to recover that pricing to 2008 levels which we have done and so consequently really the

area that one would look at today would be, in terms of softness would be just the industrial area.

YOUSSEF ABBOD: Okay. Thank you. The other question is recently Republic they bought – they sold some landfill I think to Waste Connection in Texas. There is a new ownership there, are you seeing a change in the competitive landscape due to the change in the ownership of this landfills in Texas?

KEITH CARRIGAN: No, they are not, I think you are probably referring to the Waste Connections' landfills. Waste Connections was already in those markets and we are not. So, you know, we don't see any change to that landscape whatsoever. We had been involved in discussions, we are part of a list that Republic has and I really don't want to comment on those at this time.

YOUSSEF ABBOD: Okay, great. One last question, maybe Tom, can you clarify regarding the convent calculation, you said debt to cover EBITDA in using the stable Forex rate over the last 12 months, can you little bit elaborate on that which exchange rate you use?

THOMAS COWEE: If I am assuming you're talked about the company-wide covenant calculation, we assumed, since both those credit facilities are separate credit facilities.

YOUSSEF ABBOUD: Right.

THOMAS COWEE: And done in the dollar denomination in each country. We gave you a 3.08 and then with the Bought Deal 284 covenant number, those were at par. Those were both dollar denominations at par.

YOUSSEF ABBOUD: Right, okay. Okay, thank you very much. That's it from me.

KEITH CARRIGAN: Thank you, Youssef.

OPERATOR: And your next question comes from Bob Gibson of Octagon Capital. Please go ahead.

BOB GIBSON: Good morning, everybody.

KEITH CARRIGAN: Good morning, Bob. How are you?

BOB GIBSON: Good.

KEITH CARRIGAN: Good.

BOB GIBSON: Could you give me a little more color on what's happening with getting a new country landfill?

KEITH CARRIGAN: Sure, I would be happy to. I think I first of all let's just talk about our current situation. We'd indicated that the current landfill has the ability under provincial permit to run through 2017. So we

expect that our existing landfill will be running a few more years at this stage. I won't go into to detail regarding the new site but we are proceeding along the path on the new site and at this stage we feel pretty good about it.

BOB GIBSON: Okay, then maybe just tell me typically what would be the timeline for sort of start to actually getting the landfill up and running? How are....

KEITH CARRIGAN: Well, we are in that process, we have been in that process for a while. Clearly from the time you start a process I suppose to the time you ended it, it's two years, so let me just say that we've been in the process for quite a while now.

BOB GIBSON: Okay. So well before 2010.

KEITH CARRIGAN: Yeah, yeah, we feel very good, that there will be no overlap from the closing of one site to the opening of another.

BOB GIBSON: Beautiful. Can I get a little more color on Brooklyn transfer contracts that you just signed?

THOMAS COWEE: Sure. That's the third time we've signed a contract with the city of New York City it's for their delivery of residential volume into our transfer stations in Brooklyn. It's a very similar contract to the last time and that is for three years with two one-year renewal options

at the city's option and that new contract went into effect November 1st, 2008.

BOB GIBSON: And so you are very happy with that?

KEITH CARRIGAN: We had the price increase on them and we are very pleased.

BOB GIBSON: Okay. Beauty. One – I hate to say this, one subject that seems to be in vogue right now is pension assets and potential pension expenses, is there any concerns or possible potential increase in your pension expense going forward?

KEITH CARRIGAN: There are no concerns, our plan is a very small plan. I think there is only 10 or 11 participants in it and the total assets in there are around \$0.5 million. It's a very small plan, limited to one of our small collection districts.

BOB GIBSON: Also that it's not insignificant...

KEITH CARRIGAN: It's not material at all to the corporation.

THOMAS COWEE: Yeah, our plans are all defined contribution plans.

BOB GIBSON: Okay. Thank you.

KEITH CARRIGAN: Your welcome.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time please press the star followed by the one. As a reminder if you are using a speakerphone please lift the handset before pressing the keys. Your next question comes from Aleem Israel of Cormark Securities. Please go ahead.

ALEEM ISRAEL: Hi, good morning.

KEITH CARRIGAN: Good morning, Aleem. How are you?

ALEEM ISRAEL: Good.

KEITH CARRIGAN: Good.

ALEEM ISRAEL: Just on the equity financing to start off, I noticed in the press release you convert the proceeds at \$0.80 to assume the payment on the US facility. Have you actually hedged that payment yet?

THOMAS COWEE: Yes.

ALEEM ISRAEL: Okay. And is it hedged to that \$0.80 rate?

THOMAS COWEE: It's priced right in that range, yes.

ALEEM ISRAEL: Okay. Okay, and then, in the US, I noticed you pulled your shelf finally done there, can you just touch on that?

KEITH CARRIGAN: Yeah, it was really just some efficiency planning, it was easier and more cost effective to let the first job expire and

file a new shelf opposed to carrying on with the old shelf. And essentially, we would have been from an accounting point of view reconciling two quarters, to filing a new shelf we only have to state one quarter in US GAAP, so it just saved us a bunch of accounting efficiencies.

ALEEM ISRAEL: Okay. So we should expect to look for a new filing.

KEITH CARRIGAN: Don't look at it as anything material.

ALEEM ISRAEL: Okay. And then just on the CapEx, I think Keith you mentioned that '09 CapEx would be \$20 to \$30 million lower than '08?

KEITH CARRIGAN: That's correct.

ALEEM ISRAEL: Can we assume there that the replacement doesn't change very much compared to '08 and that reduction is coming from the growth side of things?

KEITH CARRIGAN: You are absolute correct. Replacement will not and has not changed in iota, we still believe that we probably have the newest fleet in the sector and we will continue to do that. Productivity is obviously a key driver in our model, and part of having productivity is to have very efficient equipment on the road, so that will never change and so you can expect that we will continue with the same replacement pace that we have adopted in the past.

ALEEM ISRAEL: Okay. I think one of the assumptions in that guidance was that the rates were at parity. If I hold kind of, you know, the similar proposition of US versus Canadian spending, at the current exchange rates, I guess we could see that by CapEx number in C-dollar relatively unchanged then on a year-over-year, you know, if you rerun that assumption at \$0.80?

KEITH CARRIGAN: Yeah.

THOMAS COWEE: Yeah.

KEITH CARRIGAN: Yes. The answer is yes.

ALEEM ISRAEL: Okay. And then the – just moving to the free cash flow, the \$40 to \$50 million, are you running all of the translation in terms of your US operations at parity?

THOMAS COWEE: Yeah, we – yeah, Keith comments said both were at parity.

ALEEM ISRAEL: That was a parity as well. Okay. Okay. Thanks, that's all I had.

KEITH CARRIGAN: Thank you.

JOE QUARIN: Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time please press the star followed by the one. As a reminder if you are using a speakerphone please lift the handset before pressing the keys. And we have more questions from Aleem Israel of Cormark Securities. Please go ahead.

ALEEM ISRAEL: I am sorry, just one more question.

KEITH CARRIGAN: No problem.

ALEEM ISRAEL: The US Northeast and Canada, I think we understand, you know, where the margins are going there but in the US South your EBITDA margins were up about 500 basis points in Q4, can you just talk about what's driving that?

KEITH CARRIGAN: It's essentially part of our strategy. We believed when we acquired IESI that we had an ability to increase profitability and return on capital – clearly one of the indicators that you see when that occurs is that margins are increasing as well.

So we felt that we have the ability to increase that in all of our lines of business opposed to, for example, landfills were typically our margin increasers more than other lines of business. But let me just say that we have the ability to increase those margins going forward in virtually all of

our lines of business in the south particularly. We still believe that there is opportunity in the south for further increases.

ALEEM ISRAEL: Okay. So given that was kind of the first quarter where we are really seeing such a significant year-on-year increase do you think we continue to see that for the further couple of quarters of '09?

KEITH CARRIGAN: I've been in the industry for 30 odd years and I can tell you that I've been through several recessions, but I have not seen economic conditions that we are seeing out there today. So, the one aspect that we've indicated is that simply we have the ability in our company to adjust very, very quickly, I think you've seen that we've been able to adjust with fuel, we have been able to adjust with commodity pricing very, very quickly on an efficient basis. Clearly the toughest thing probably to deal with is pure lack of volume, but you take that out of the equation we have the ability to adjust very quickly and I will tell you even with lack of volume we have an ability to adjust, it takes us a little longer to adjust to volume declines and it does to all these other areas. So, we have the ability and we feel very, very good about the Company going forward. We expect that we will retain our position relative to our peers going forward and in spite of what we are seeing out there and economic conditions.

ALEEM ISRAEL: Okay. Thank you.

OPERATOR: Mr. Carrigan, there are no further questions at this time. Please continue.

KEITH CARRIGAN: Well, thank you very much. In light of what we've seen in the economy in 2008, we would like to thank our people that are out there making these adjustments on a day-to-day basis, that are producing the strong results for the Company. Our people remain the strength of our Company and we expect their performance to continue in these very difficult times going forward. We look for a good and strong 2008, we continue to look for good results going forward in 2009.

So we want to thank everyone for joining us today. We look forward to speaking with you on our next call in the next quarter. Thank you once again.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you participating. You may now disconnect your line.
