WASTE HOLDINGS INC
Form 10-Q
November 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2001

Commission File Number 000-31050

Waste Holdings, Inc.
(exact name of Registrant as specified in its charter)

North Carolina	56-0954929
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3301 Benson Drive, Suite 601
Raleigh, North Carolina
(Address of principal executive offices)

27609
(Zip Code)

(919) 325-3000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 X NO____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, No Par Value	13,338,318 shares
(Class)	(Outstanding at November 9, 2001)

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

WASTE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	Decemb 20
ASSETS	
Current assets:	
Cash and cash equivalents	$
Accounts receivable - trade, less allowance for uncollectible accounts (2000 - $1,957; 2001 - $1,971)	
Accounts receivable - other	
Accounts receivable-income tax, net	
Inventories	
Prepaid insurance	
Prepaid expenses and other current assets	
Deferred income taxes	
Total current assets	
Property and equipment, net	1
Intangible assets, net	
Other noncurrent assets	
Total assets	$ 3
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current maturities of long-term debt	$
Current maturities of capital lease obligations	
Accounts payable - trade	
Income taxes payable, net	
Accrued expenses and other liabilities	
Deferred revenue	
Total current liabilities	
Long-term debt, net of current maturities	1
Long-term capital lease obligations	
Noncurrent deferred income taxes	
Closure/postclosure liabilities	
Commitments and contingencies (Note 5)	
Shareholders' equity: (Note 3)	
Common stock, no par value, shares authorized - 80,000,000 shares issued and outstanding: 2000 - 13,119,171; 2001 - 13,338,318	
Paid-in capital	
Retained earnings	
Note receivable - Liberty Waste	(
Shareholders' loans and other receivables	
Total shareholders' equity	
Total liabilities and shareholders' equity	$ 3

See Notes to Unaudited Condensed Consolidated Financial Statements.

PART 1 - FINANCIAL INFORMATION

WASTE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2000	Three Months Ended September 30, 2001	2
Revenues:			
Service	$ 62,289	$ 62,541	$
Equipment	477	245	
Total revenues	62,766	62,786	
Operating costs and expenses:			
Operations	39,166	40,034	
Equipment	251	144	
Selling, general and administrative	10,207	9,562	
Depreciation and amortization	6,880	7,364	
Organizational costs	-	-	
Loss on sale of business unit	-	-	
Total operating costs and expenses	56,504	57,104	
Operating income:	6,262	5,682	
Interest expense	3,773	3,085	
Interest income	(370)	(349)	
Other income	(25)	(215)	
Total other expense, net	3,378	2,521	
Income before income taxes	2,884	3,161	
Income tax expense	1,154	1,138	
Net income	$ 1,730	$ 2,023	$
Earnings per share			
Basic	$ 0.13	$ 0.15	$
Diluted	$ 0.13	$ 0.15	$
Weighted-average number of shares outstanding			
Basic	13,633	13,338	
Diluted	13,815	13,361	

See Notes to Unaudited Condensed Consolidated Financial Statements.

PART 1 - FINANCIAL INFORMATION

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

	Nine Months Ended September 30, 2000	Nine Months Ended September 30, 2001
Operating Activities:		
Net income	$ 5,994	$ 5,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,538	22,042
Gain on sale of property and equipment	(112)	(91)
Loss on sale of business unit	1,677	359
Provision for deferred income taxes	2,012	(508)
Changes in operating assets and liabilities, net of effects from acquisition and disposition of related businesses	(5,711)	(6,529)
Net cash provided by operating activities	23,398	20,584
Investing Activities:		
Acquisitions of related business, net of cash acquired	(43,964)	(5,216)
Proceeds from disposal of a business unit	9,897	426
Proceeds from sale of property and equipment	536	321
Purchases of property and equipment	(32,588)	(22,291)
Net cash used in investing activities	(66,119)	(26,760)
Financing Activities:		
Proceeds from issuance of long term debt	88,423	56,744
Principal payments of long-term debt	(33,721)	(67,964)
Principal payments of capital lease obligations	(840)	(681)
(Advances) repayments under shareholder loans and receivables, net	(1,014)	551
Net proceeds from common stock issuance	36	18
Net proceeds from exercised options	1,328	1,109
Repurchase of common stock	(11,006)	--
Loan repayment from Liberty Waste	--	11,538
Net cash provided by financing activities	43,206	1,315
Increase (decrease) in cash and cash equivalents	485	(4,861)
Cash and cash equivalents, beginning of period	3,176	7,401
Cash and cash equivalents, end of period	$ 3,661	$ 2,540

See Notes to Unaudited Condensed Consolidated Financial Statements.

WASTE HOLDINGS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND RECENT DEVELOPMENTS

Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. As applicable under such regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The Company believes that the presentations and disclosures in the financial statements included herein are adequate to make the information not misleading. The financial statements reflect normal adjustments which are necessary for a fair statement of the results for the interim periods presented. Operating results for interim periods are not necessarily indicative of the results for full years or the interim periods.

Waste Holdings is the successor interest to Waste Industries. Waste Holdings was formed in September 2000 by Waste Industries for the purpose of becoming Waste Industries' parent holding company. The holding company reorganization was completed on March 31, 2001 upon the merger of Waste Industries into Waste Industries MergeCo, LLC, a wholly owned subsidiary of Waste Holdings. Each share of Waste Industries outstanding common stock was automatically converted into one share of Waste Holdings common stock.

The condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Recent Developments

Purchase Acquisitions and Disposition:

During the nine months ended September 30, 2001, the Company made the following acquisitions, which were accounted for as purchases, and a disposition:

- On March 1, 2001, the Company acquired commercial routes in Memphis and Nashville, Tennessee; Norfolk, Virginia; Augusta, Georgia; and Pensacola, Florida for $5.0 million in cash from Allied Waste Industries, Inc. The Memphis and Norfolk operations are tuck-ins to existing operations and the Nashville, Augusta, and Pensacola operations are in new markets.

- On May 15, 2001, the Company disposed of a business unit for $426,000 in cash and notes from Capital Cartage, Inc.

- On September 27, 2001, the Company acquired residential and commercial routes from Andrews Garbage Service as a tuck-in to existing operations in Crossville, Tennessee for approximately $216,000 in cash.

The acquisitions were funded primarily with proceeds from the Company's long-term revolving credit facilities.

Components of cash used for the acquisitions reflected in the unaudited condensed consolidated statement of cash flows for the nine months ended

September 30, 2001 are as follows (in thousands):

Fair value of tangible assets acquired	$ 1,805
Liabilities assumed	(289)
Goodwill	3,700
Total consideration paid, including direct cost, net of cash acquired	$ 5,216

1. BASIS OF PRESENTATION AND RECENT DEVELOPMENTS - (Continued)

In accordance with the purchase method of accounting, the purchase price has been allocated to the underlying assets and liabilities based on their respective fair values at the date of acquisition. These purchase price allocations are preliminary estimates, based on available information and certain assumptions management believes are reasonable. Accordingly, such purchase price allocations are subject to finalization.

The following unaudited pro forma results of operations for the nine months ended September 30, 2000 and 2001 assume the acquisitions described above occurred as of January 1, 2000 and 2001, after giving effect to certain adjustments, including the amortization of the excess of cost over the underlying assets (in thousands):

	2000	2001
Total revenues	$ 184,785	$ 188,003
Operating income	18,951	18,314
Net income	6,045	5,371
Earnings per common share:		
Basic	$ 0.44	$ 0.40
Diluted	$ 0.43	$ 0.40

The pro forma financial information does not purport to be indicative of the results of operations that would have occurred had the acquisition taken place at the beginning of the periods presented or of future operating results.

Property and equipment are stated at cost. Depreciation expense is calculated on the straight-line method over a period between 5 to 30 years. Goodwill is amortized using the straight-line method over 25 to 40 years. These estimated useful lives assigned to goodwill are based on the period over which management believes that such goodwill can be recovered through undiscounted future operating cash flows of the acquired operations.

Certain 2000 financial statement amounts have been reclassified to conform with the 2001 presentation.

2. EARNINGS PER SHARE

Basic and diluted earnings per share computations are based on the weighted-average common stock outstanding and include the dilutive effect of stock options using the treasury stock method. For the nine-month periods ended September 30, 2000 and 2001, stock options of 156,934 and 483,795, respectively, were excluded from the computations of diluted earnings per share because the impact of their inclusion would be anti-dilutive.

3. SHAREHOLDERS' EQUITY

The Company issued 2,824 and 2,843 shares of Company common stock with a fair value of approximately $39,000 and $19,000 for the nine-month periods ended September 30, 2000 and 2001, respectively, that were recorded as director's fees.

Stock options totaling 264,309 and 216,304 were exercised with net proceeds of approximately $1.3 million and $1.1 million during the nine-month periods ended September 30, 2000 and 2001, respectively.

During the nine-month period ended September 30, 2000, the Company completed its stock repurchase program with the purchase of 1,000,000 shares of its common stock at a cost of $11.0 million. Cash for the stock repurchase program was funded by the Company's existing revolving credit facilities.

During the nine-month period ended September 30, 2001, the Liberty Waste note receivable totaling $11.5 million was repaid.

4. LONG-TERM DEBT

On April 5, 2001, we closed on a variable rate development bond with Sampson County ("Sampson facility"). This bond provides up to $33.7 million of income tax exempt funding. As of September 30, 2001, an aggregate of approximately $33.7 million was outstanding under the Sampson facility. The bonds are backed by a letter of credit issued by Wachovia Bank & Trust as a participating lender under our Fleet syndication. The average interest rate on outstanding borrowings was approximately 2.43% at September 30, 2001.

As of September 30, 2001, the Company has drawn approximately $30.9 million from the Sampson facility in order to repay funds borrowed from the Fleet syndication used to finance the original Sampson County Landfill acquisition. The remaining $2.8 million is classified as restricted cash within other non-current assets.

5. COMMITMENTS AND CONTINGENCIES

Claims and lawsuits arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all these matters have been adequately provided for, are adequately covered by insurance, or are of such kind that if disposed of unfavorably, would not have a material adverse effect on the Company's financial position or results of operations.

The Company will have material financial obligations relating to disposal site closure and long-term care obligations of landfill facilities which it had acquired through the nine-month period ended September 30, 2001. The Company provides accruals for future obligations (generally for a term of 30 to 40 years after final closure of the landfill) based on engineering estimates of consumption of permitted landfill airspace over the useful life of the landfill. The Company's ultimate financial obligations for actual closing or post-closing costs might exceed the amount accrued and reserved or amounts otherwise receivable pursuant to insurance policies or trust funds. Such a circumstance could have a material adverse effect on the Company's financial condition and results of operations.

6. NEW ACCOUNTING STANDARDS

Effective January 1, 2001, the Company adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. Management does not believe the Company has any derivative instruments or hedging activities that are within the scope of SFAS No. 133 and, accordingly, the adoption of SFAS No. 133 has not had a material impact on the Company's consolidated financial statements.

In June 2001 the FASB approved SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 prospectively prohibits the pooling of interest method of accounting for business combinations initiated after June 30, 2001. The Company adopted SFAS No. 141 effective July 1, 2001. The adoption did not have a material impact on the Company's consolidated financial statements. SFAS No. 142 requires a company to cease amortizing goodwill recorded on its books and records upon adoption on January 1, 2002. Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS No. 142 will result in the Company's discontinuation of amortization of its goodwill; however, the Company will be required to test its goodwill for impairment under the new standard beginning in the first quarter of 2002. During the nine months ended September 30, 2000 and 2001, the amortization of goodwill and other intangible assets totaled $1.9 million and $2.1 million respectively. The Company is currently evaluating the provisions and the impact of SFAS 142 on the Company's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 standardizes the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 is effective for fiscal years beginning after June 15, 2002. As a result, SFAS 143 will become effective for the Company on January 1, 2003. The Company is currently evaluating the provisions and the impact of SFAS 143 on the Company's consolidated financial statements.

In August 2001, Statement of Financial Accounting Standards No. 144 ("FAS 144"), Accounting for the Impairment for Disposal of Long-Lived Assets was issued. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FAS Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30 Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). The Company is currently assessing, and have not yet determined the impact of FAS 144 on the Company's consolidated financial statements.

ITEM 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion should be read in conjunction with the Company's financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2000. Some matters discussed in this Management's Discussion and Analysis are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "anticipates," "expects" or words of similar meaning. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated including general economic conditions, the ability to manage growth, the availability and integration of acquisition targets, competition, geographic concentration, weather conditions, government regulation and others set forth in the Company's Form 10-K. You should consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements.

OVERVIEW

Waste Holdings is a regional, vertically-integrated provider of solid waste services. We operate primarily in North Carolina, South Carolina, Virginia, Tennessee, Mississippi, Alabama, Georgia and Florida, providing solid waste collection, transfer, recycling, processing and disposal services for commercial, industrial, municipal and residential customers. As of September 30, 2001, we operated 42 collection operations, 24 transfer stations, approximately 100 county convenience drop-off centers, eight recycling facilities and ten landfills in the southeastern U.S. We had revenues of $242.4 million and operating income of $25.5 million in the year ended December 31, 2000, and revenues of $187.4 million and operating income of $18.2 million for the nine months ended September 30, 2001.

Our presence in growth markets in the southeastern U.S., including North Carolina, Georgia and Virginia, has supported our internal growth. In addition, from 1990 through the nine months ended September 30, 2001, we acquired 60 solid waste collection or disposal operations. Current levels of population growth and economic development in the southeastern U.S. and our strong market presence in the region should provide us with an opportunity to increase our revenues and market share. As we add customers in our existing markets, our density should improve, which we expect will increase our collection efficiencies and profitability.

RESULTS OF OPERATIONS

GENERAL

Our branch waste collection operations generate revenues from fees collected from commercial, industrial and residential collection and transfer station customers. We derive a substantial portion of our collection revenues from commercial and industrial services that are performed under one-year to five-year service agreements. Our residential collection services are performed either on a subscription basis with individual households, or under contracts with municipalities, apartment owners, homeowners associations or mobile home park operators. Residential customers on a subscription basis are billed quarterly in advance and provide us with a stable source of revenues. A liability for future service is recorded upon billing and revenues are recognized at the end of each month in which services are actually provided. Municipal contracts in our existing markets are typically awarded, at least initially, on a competitive bid basis and thereafter on a bid or negotiated basis and usually range in duration from one to five years. Municipal contracts generally provide consistent cash flow during the term of the contracts.

Our prices for our solid waste services are typically determined by the collection frequency and level of service, route density, volume, weight and type of waste collected, type of equipment and containers furnished, the distance to the disposal or processing facility, the cost of disposal or processing, and prices charged in our markets for similar services.

Our ability to pass on price increases is sometimes limited by the terms of our contracts. Long-term solid waste collection contracts typically contain a formula, generally based on a predetermined published price index, for automatic adjustment of fees to cover increases in some, but not all, operating costs.

At September 30, 2001, we operated approximately 100 convenience sites under contract with 14 counties in order to consolidate waste in rural areas. These contracts, which are usually competitively bid, generally have terms of one to five years and provide consistent cash flow during the term of the contract since we are paid regularly by the local government. At September 30, 2001, we also operated eight recycling processing facilities as part of our collection and transfer operations where we collect, process, sort and recycle paper products, aluminum and steel cans, pallets, plastics, glass and

other items. Our recycling facilities generate revenues from the collection, processing and resale of recycled commodities, particularly recycled wastepaper. Through a centralized effort, we resell recycled commodities using commercially reasonable practices and seek to manage commodity pricing risk by spreading the risk among our customers. We also operate curbside residential recycling programs in connection with our residential collection operations in most of the communities we serve.

Operating expenses for our collection operations include labor, fuel, insurance, equipment maintenance and tipping fees paid to landfills. At September 30, 2001, we owned, operated or transferred from 24 transfer stations that reduce our costs by improving our utilization of collection personnel and equipment and by consolidating the waste stream to gain more favorable disposal rates and transportation costs. At September 30, 2001, we owned and/or operated ten landfills. Operating expenses for these landfill operations include labor, equipment, legal and administrative, ongoing environmental compliance, host community taxes, site maintenance and accruals for closure and post-closure maintenance. Cost of equipment sales primarily consists of our cost to purchase the equipment that we resell.

We capitalize certain expenditures related to pending acquisitions or development projects. Indirect acquisition and project development costs, such as executive and corporate overhead, public relations and other corporate services, are expensed as incurred. Our policy is to charge to operating costs any unamortized capitalized expenditures and advances (net of any portion thereof that we estimate to be recoverable, through sale or otherwise) relating to any operation that is permanently shut down, any pending acquisition that is not consummated and any landfill development project that is not expected to be successfully completed. Engineering, legal, permitting, construction and other costs directly associated with the acquisition or development of a landfill, together with associated interest, are capitalized.

Selling, general and administrative, or SG&A, expenses include management salaries, clerical and administrative overhead, professional services, costs associated with our marketing and sales force and community relations expense.

Property and equipment is depreciated over the estimated useful life of the assets using the straight-line method.

Other income and expense, which is comprised primarily of interest income, has not historically been material to our results of operations.

To date, inflation has not had a significant impact on our operations.

The following table sets forth for the periods indicated the percentage of revenues represented by the individual line items reflected in our unaudited condensed statements of operations.

	Three Months Ended September 30,		Nine Months Ende September 30,	
	2000	2001	2000	20
Total revenues	100.0%	100.0%	100.0%	
Service	99.2%	99.6%	99.3%	
Equipment	0.8%	0.4%	0.7%	
Cost of operations	62.4%	63.8%	61.9%	
Cost of equipment sales	0.4%	0.2%	0.4%	
Selling, general and administrative	16.2%	15.2%	15.8%	
Depreciation and amortization	11.0%	11.7%	10.7%	
Loss on disposal of business unit	0.0%	0.0%	0.9%	
Startup and organizational costs	0.0%	0.0%	0.0%	
Operating income	10.0%	9.1%	10.3%	
Interest expense	5.4%	4.4%	4.9%	
Other income	0.0%	-0.3%	-0.1%	
Income before income taxes	4.6%	5.0%	5.5%	
Income taxes	1.8%	1.8%	2.2%	
Net income	2.8%	3.2%	3.3%	

Three- and Nine-Month Periods Ended September 30, 2001 vs. Three- and Nine-Month Periods Ended September 30, 2000

REVENUES. Total revenues remained stable at $62.8 million for the three-month period ended September 30, 2001, compared to the same period in 2000, and increased $5.1 million, or 2.8% for the nine-month period ended September 30, 2001, compared with the same period in 2000. The increase in the nine-month period was attributable primarily to the following factors: (1) the effect of seven businesses acquired during the year ended December 31, 2000 and contracts acquired through September 30, 2001, resulting in a $7.8 million increase for the nine-month period ended September 30, 2001, offset by the decrease in revenues due to the loss on sale of a business unit of $4.7 million for the nine-month period ended September 30 2001; and (2) the effect of prices and collection volumes resulting from new municipal and commercial contracts and residential subscriptions and annexation fees, resulting in an increase of $2.0 million for the nine-month period ended September 30, 2001.

COST OF OPERATIONS. Cost of operations increased $0.9 million, or 2.2%, and $4.5 million, or 4.0%, respectively, for the three- and nine-month periods ended September 30, 2001, compared to the same periods in 2000. The increase for the three-month period was attributed to the following: (1) a $0.3 million increase in labor costs and associated expenses, (2) a $1.5 million increase in insurance expense and (3) a $0.3 million increase in fleet maintenance costs and general costs associated with acquisitions of new businesses during the period. These increases were offset by a decrease in landfill and disposal fees of $1.2 million. The increase for the nine-month period was attributed to the following: (1) a $1.1 million increase in labor costs and associated expenses, (2) a $3.9 million increase in insurance expense, (3) a $1.6 million increase in fleet maintenance costs and $1.0 million in general costs associated with acquisitions of new businesses during the period and (4) a $1.0 million increase in landfill maintenance costs. For the nine-month period ended September 30, 2001, these increases were offset by a decrease in landfill and disposal fees of $4.1 million. Total cost of operations as a percentage of revenues increased to 63.8% from 62.4% and to 62.6% from 61.9% for the three- and nine-month periods ended September 30, 2001 and 2000, respectively.

SG&A. SG&A decreased $0.6 million, or 6.3%, and decreased $0.6 million, or 1.9%, respectively, for the three- and nine-month periods ended September 30, 2001, compared with the same periods in 2000. The decreases were primarily attributable to an increased management focus and evaluation of expenditures. SG&A as a percentage of revenues decreased to 15.2% from 16.2% and to 15.0% from 15.8% for the three- and nine-month periods ended September 30, 2001 and 2000, respectively.

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DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased $0.5 million, or 7.0%, and $2.5 million, or 12.8%, respectively, for the three- and nine-month periods ended September 30, 2001, compared to the same periods in 2000. Depreciation and amortization, as a percentage of revenues, increased to 11.7% from 11.0% and to 11.8% from 10.7%, respectively, for the three- and nine-month periods ended September 30, 2001 and 2000. The primary components of this increase were (1) the increase in equipment acquired for operation at the landfills and (2) the effect of additional depreciation related to the seven businesses acquired during the year ended December 31, 2000 and the two businesses acquired during the nine-month period ended September 30, 2001.

INTEREST EXPENSE. Interest expense (net of interest income) decreased $0.7 million, or 19.6%, and increased $1.3 million, or 14.2%, respectively, for the three- and nine-month periods ended September 30, 2001, compared to the same periods in 2000. The decrease for the three-month period was primarily due to a decrease in our total outstanding debt. The increase for the nine-month period was primarily due to the higher level of average outstanding indebtedness for (1) businesses acquired in 2000 and 2001 and (2) the debt incurred to fund our stock repurchase plan completed in the third quarter of 2000.

INCOME TAX EXPENSE. Income tax expense remained relatively stable for the three-month period ended September 30, 2001 compared to the same period in 2000. For the nine-month period ended September 30, 2001, income tax expense decreased $1.0 million, or 25.3%. The decrease was due to (1) a decline in income before taxes and (2) a decrease in the effective tax rate of approximately 4.0% (from 40.0% to 36.0%) for the nine-month period ended September 30, 2001. The decrease in the effective tax rate was due to the reorganization of our corporate legal structure completed in the quarter ended March 31, 2001.

NET INCOME. Net income increased $0.3 million, or 16.9%, for the three-month period ended September 30, 2001, and decreased $0.7 million, or 11.4%, for the nine-month period ended September 30, 2001, compared to the same periods in 2000. The increase for the three-month period ended September 30, 2001 was primarily related to a decrease in interest expense and income tax expense. The decrease for the nine-month period ended September 30, 2001 was primarily attributable to increased insurance expense, landfill maintenance costs and accrual expenses and interest expense (net of interest income) offset by a decrease in income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital at September 30, 2001 was $15.6 million compared to $15.5 million at December 31, 2000. Our strategy in managing our working capital has been to apply the cash generated from operations that remains available after satisfying our working capital and capital expenditure requirements to reduce indebtedness under our bank revolving credit facilities and to minimize our cash balances. We generally finance our working capital requirements from internally generated funds and bank borrowings. In addition to internally generated funds, we have in place financing arrangements to satisfy our currently anticipated working capital needs in 2001. As of September 30, 2001, we had fully drawn upon our three $25 million term facilities with Prudential Insurance Company of America, leaving us with an uncommitted shelf facility of $25 million. The Prudential facilities require us to maintain financial ratios, such as minimum net worth, net income, and limits on capital expenditures and indebtedness. Interest on the three Prudential facilities is paid quarterly, based on fixed rates for the three facilities of 7.28%, 6.96% and 6.84%, respectively, and the facilities mature as follows: $25 million in April 2006, $25 million in June 2008 and $25 million in February 2009, all subject to renewal.

In November 1999, we entered into a revolving credit agreement with a syndicate of lending institutions for which Fleet National Bank, formerly known as BankBoston, N.A., acts as agent. This credit facility provides up to $200 million through November 2004. Virtually all of our assets and those of our subsidiaries, including our interest in the equity securities of our subsidiaries, secure our obligations under the Fleet credit facility. Pursuant to an intercreditor agreement with Fleet, Prudential shares in the collateral pledged under the Fleet credit facility. In addition, our subsidiaries have guaranteed our obligations under the Prudential term loan facilities. The Fleet credit facility bears interest at a rate per annum equal to, at our option, either a Fleet base rate or at the Eurodollar rate (based on Eurodollar interbank market rates) plus, in each case, a percentage rate that fluctuates, based on the ratio of our funded debt to EBITDA, from 0% to 0.5% for base rate borrowings and 1.5% to 2.5% for Eurodollar rate borrowings. The Fleet facility requires us to maintain financial ratios and satisfy other requirements, such as minimum net worth, net income, and limits on capital expenditures and indebtedness. It also requires the lenders' approval of acquisitions in some circumstances. As of September 30, 2001, an aggregate of approximately $84 million was outstanding under the Fleet credit facility, and the average interest rate on outstanding borrowings was approximately 5.70%.

Net cash provided by operating activities decreased $2.8 million to $20.6 million for the nine-month period ended September 30, 2001, compared to net cash provided by operating activities of $23.4 million for the nine-month period ended September 30, 2000. This decrease was caused principally by a reduction in net income of $0.7 million, an increase in non-cash depreciation and amortization of $2.5 million, an increase in working capital of $0.8 million, and the remainder related to a decrease in deferred income taxes.

Net cash used in investing activities decreased $39.4 million to $26.8 million for the nine-month period ended September 30, 2001, compared to $66.1 million for the nine-month period ended September 30, 2000. This decrease was caused principally by a lower level of acquisitions of related businesses of $38.7 million, a decrease in proceeds from the sale of a business unit of $9.5 million and a decrease in capital expenditures of $10.3 million.

We currently expect capital expenditures for 2001 to be approximately $24.0 million, compared to $42.3 million in 2000. In 2001, we expect to use approximately $6.5 million for vehicle and equipment additions and replacements, approximately $8.7 million for landfill site and cell development, approximately $6.0 million for support equipment and approximately $2.8 million for facilities, additions and improvements. We expect to fund our planned 2001 capital expenditures principally through internally generated funds and borrowings under existing credit facilities. As an owner and potential acquirer of additional new landfill disposal facilities, we might also be required to make significant expenditures to bring newly acquired disposal facilities into compliance with applicable regulatory requirements, obtain permits for newly acquired disposal facilities or expand the available disposal capacity at any such newly acquired disposal facilities. The amount of these expenditures cannot be currently determined because they will depend on the nature and extent of any acquired landfill disposal facilities, the condition of any facilities acquired and the permitting status of any acquired sites. We expect we would fund any capital expenditures to acquire solid waste collection and disposal business, to the extent we could not fund such acquisitions with our common stock, and any regulatory expenses for newly acquired disposal facilities through borrowings under our existing credit facilities.

Net cash provided by financing activities decreased $41.9 million to $1.3 million for the nine-month period ended September 30, 2001, compared to $43.2 million for the nine-month period ended September 30, 2000. The decrease was primarily attributable to decreased borrowings (net of repayments) of $65.9 million offset by (1) an increase of repayments of $11.5 million from Liberty Waste, (2) a decrease of $11.0 million due to repurchases of our outstanding common stock in 2000 and (3) a decrease in shareholder loans and receivables of $1.5 million.

At September, 2001, we had approximately $187.7 million of long-term and short-term borrowings outstanding (including capital lease obligations) and approximately $41.0 million in letters of credit. At September 30, 2001, the ratio of our total debt (including capital lease obligations) to total capitalization was 68.7%, compared to 74.9% at December 31, 2000.

Prepaid insurance increased approximately $2.7 million to $3.3 million at September 30, 2001 from $0.6 million at December 31, 2000, due primarily to the prepayment of our annual insurance premium for auto liability and physical damage coverage and workers' compensation coverage. This payment was made in advance in order to obtain a lower insurance rate.

Other non-current assets increased approximately $3.0 million at September 30, 2001 from $3.8 million at December 31, 2000, due primarily to an increase of restricted cash totaling $4.9 million from the issuance of the Sampson facility, offset by the receipt of bond proceeds totaling $1.7 million.

SEASONALITY

Our results of operations tend to vary seasonally, with the first quarter typically generating the least amount of revenues, higher revenues in the second and third quarters, and a decline in the fourth quarter. This seasonality reflects the lower volume of waste generated during the fall and winter months. Also, operating and fixed costs remain relatively constant throughout the calendar year, which, when offset by these revenues, results in a similar seasonality of operating income.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risk exposure has not changed materially from the exposure as disclosed in our 2000 Annual Report on Form 10-K.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See exhibit index

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: November 13, 2001

Waste Holdings, Inc.
(Registrant)

By: /s/ D. Steve Grissom

D. Steve Grissom
Chief Financial Officer
(Principal Financial Officer)

WASTE HOLDINGS, INC.
EXHIBIT INDEX
Third Quarter 2001

Exhibit Number	Exhibit Description
11	Computation of Earnings Per Share