

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

Or

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

For the transition period from to

Commission file number 1-34370



**WASTE CONNECTIONS, INC.**

*(Exact name of registrant as specified in its charter)*

**Ontario, Canada**

*(State or other jurisdiction of incorporation or organization)*

**98-1202763**

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

**610 Applewood Crescent, 2<sup>nd</sup> Floor**

**Vaughan**

**Ontario L4K 0E3**

**Canada**

*(Address of principal executive offices)*

**(905) 532-7510**

*(Registrant's telephone number, including area code)*

**Not Applicable**

*(Former name or address, 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

☒ Large accelerated filer

☐ Accelerated filer

☐ Non-accelerated filer

☐ Smaller reporting company

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

Yes ☐ No ☒

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

As of October 21, 2016: 175,141,438 common shares

WASTE CONNECTIONS, INC.  
FORM 10-Q

TABLE OF CONTENTS

|                                                                                                      | <b>Page</b> |
|------------------------------------------------------------------------------------------------------|-------------|
| <b><u>PART I – FINANCIAL INFORMATION (unaudited)</u></b>                                             |             |
| Item 1. <u>Financial Statements</u>                                                                  |             |
| <u>Condensed Consolidated Balance Sheets</u>                                                         | 1           |
| <u>Condensed Consolidated Statements of Net Income (Loss)</u>                                        | 2           |
| <u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>                              | 3           |
| <u>Condensed Consolidated Statements of Equity</u>                                                   | 4           |
| <u>Condensed Consolidated Statements of Cash Flows</u>                                               | 6           |
| <u>Notes to Condensed Consolidated Financial Statements</u>                                          | 7           |
| Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 40          |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 67          |
| Item 4. <u>Controls and Procedures</u>                                                               | 69          |
| <b><u>PART II – OTHER INFORMATION</u></b>                                                            |             |
| Item 1. <u>Legal Proceedings</u>                                                                     | 70          |
| Item 1A. <u>Risk Factors</u>                                                                         | 70          |
| Item 6. <u>Exhibits</u>                                                                              | 70          |
| <u>Signatures</u>                                                                                    | 71          |
| <u>Exhibit Index</u>                                                                                 | 72          |

---

PART I – FINANCIAL INFORMATION  
Item 1. Financial Statements

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

|                                                                                                                                               | September 30,<br>2016 | December 31,<br>2015 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                 |                       |                      |
| Current assets:                                                                                                                               |                       |                      |
| Cash and equivalents                                                                                                                          | \$ 119,335            | \$ 10,974            |
| Accounts receivable, net of allowance for doubtful accounts of \$14,033 and \$7,738 at September 30, 2016 and December 31, 2015, respectively | 498,291               | 255,192              |
| Deferred income taxes                                                                                                                         | 82,547                | 49,727               |
| Prepaid expenses and other current assets                                                                                                     | 84,460                | 46,534               |
| Total current assets                                                                                                                          | 784,633               | 362,427              |
| Property and equipment, net                                                                                                                   | 4,773,096             | 2,738,288            |
| Goodwill                                                                                                                                      | 4,351,170             | 1,422,825            |
| Intangible assets, net                                                                                                                        | 1,164,308             | 511,294              |
| Restricted assets                                                                                                                             | 63,314                | 46,232               |
| Other assets, net                                                                                                                             | 51,172                | 40,732               |
|                                                                                                                                               | <u>\$ 11,187,693</u>  | <u>\$ 5,121,798</u>  |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                 |                       |                      |
| Current liabilities:                                                                                                                          |                       |                      |
| Accounts payable                                                                                                                              | \$ 247,295            | \$ 115,206           |
| Book overdraft                                                                                                                                | 18,363                | 12,357               |
| Accrued liabilities                                                                                                                           | 266,906               | 136,018              |
| Deferred revenue                                                                                                                              | 130,724               | 90,349               |
| Current portion of contingent consideration                                                                                                   | 24,338                | 22,217               |
| Current portion of long-term debt and notes payable                                                                                           | 1,624                 | 2,127                |
| Total current liabilities                                                                                                                     | 689,250               | 378,274              |
| Long-term debt and notes payable                                                                                                              | 3,661,971             | 2,147,127            |
| Long-term portion of contingent consideration                                                                                                 | 27,351                | 27,177               |
| Other long-term liabilities                                                                                                                   | 329,058               | 124,943              |
| Deferred income taxes                                                                                                                         | 858,697               | 452,493              |
| Total liabilities                                                                                                                             | 5,566,327             | 3,130,014            |
| Commitments and contingencies (Note 16)                                                                                                       |                       |                      |
| Equity:                                                                                                                                       |                       |                      |
| Common shares: 175,140,948 and 122,375,955 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively            | 4,170,279             | 1,224                |
| Additional paid-in capital                                                                                                                    | 97,418                | 736,652              |
| Accumulated other comprehensive loss                                                                                                          | (13,024)              | (12,171)             |
| Treasury shares: 284,739 and 0 shares at September 30, 2016 and December 31, 2015, respectively                                               | -                     | -                    |
| Retained earnings                                                                                                                             | 1,359,442             | 1,259,495            |
| Total Waste Connections' equity                                                                                                               | 5,614,115             | 1,985,200            |
| Noncontrolling interest in subsidiaries                                                                                                       | 7,251                 | 6,584                |
| Total equity                                                                                                                                  | 5,621,366             | 1,991,784            |
|                                                                                                                                               | <u>\$ 11,187,693</u>  | <u>\$ 5,121,798</u>  |

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

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

|                                                                                          | <b>Three months ended September 30,</b> |              | <b>Nine months ended September 30,</b> |              |
|------------------------------------------------------------------------------------------|-----------------------------------------|--------------|----------------------------------------|--------------|
|                                                                                          | <b>2016</b>                             | <b>2015</b>  | <b>2016</b>                            | <b>2015</b>  |
| Revenues                                                                                 | \$ 1,084,922                            | \$ 547,938   | \$ 2,327,241                           | \$ 1,585,350 |
| Operating expenses:                                                                      |                                         |              |                                        |              |
| Cost of operations                                                                       | 636,310                                 | 300,910      | 1,339,764                              | 879,470      |
| Selling, general and administrative                                                      | 129,576                                 | 59,799       | 349,995                                | 175,208      |
| Depreciation                                                                             | 125,744                                 | 61,373       | 270,988                                | 178,318      |
| Amortization of intangibles                                                              | 26,944                                  | 7,195        | 48,719                                 | 21,458       |
| Impairments and other operating items                                                    | 7,682                                   | 493,813      | 4,634                                  | 494,158      |
| Operating income (loss)                                                                  | 158,666                                 | (375,152)    | 313,141                                | (163,262)    |
| Interest expense                                                                         | (27,621)                                | (16,367)     | (65,291)                               | (47,386)     |
| Other income (expense), net                                                              | 671                                     | (1,303)      | 179                                    | (1,430)      |
| Foreign currency transaction gain (loss)                                                 | (350)                                   | -            | 339                                    | -            |
| Income (loss) before income tax provision                                                | 131,366                                 | (392,822)    | 248,368                                | (212,078)    |
| Income tax (provision) benefit                                                           | (42,485)                                | 136,017      | (86,750)                               | 64,996       |
| Net income (loss)                                                                        | 88,881                                  | (256,805)    | 161,618                                | (147,082)    |
| Less: Net income attributable to noncontrolling interests                                | (264)                                   | (204)        | (670)                                  | (743)        |
| Net income (loss) attributable to Waste Connections                                      | \$ 88,617                               | \$ (257,009) | \$ 160,948                             | \$ (147,825) |
| Earnings (loss) per common share attributable to Waste Connections' common shareholders: |                                         |              |                                        |              |
| Basic                                                                                    | \$ 0.51                                 | \$ (2.08)    | \$ 1.10                                | \$ (1.19)    |
| Diluted                                                                                  | \$ 0.50                                 | \$ (2.08)    | \$ 1.10                                | \$ (1.19)    |
| Shares used in the per share calculations:                                               |                                         |              |                                        |              |
| Basic                                                                                    | 175,336,967                             | 123,269,902  | 146,214,552                            | 123,783,217  |
| Diluted                                                                                  | 175,766,759                             | 123,269,902  | 146,709,780                            | 123,783,217  |
| Cash dividends per common share                                                          | \$ 0.145                                | \$ 0.13      | \$ 0.435                               | \$ 0.39      |

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

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

|                                                                                    | <b>Three months ended September 30,</b> |                     | <b>Nine months ended September 30,</b> |                     |
|------------------------------------------------------------------------------------|-----------------------------------------|---------------------|----------------------------------------|---------------------|
|                                                                                    | <b>2016</b>                             | <b>2015</b>         | <b>2016</b>                            | <b>2015</b>         |
| Net income (loss)                                                                  | \$ 88,881                               | \$ (256,805)        | \$ 161,618                             | \$ (147,082)        |
| Other comprehensive income (loss), before tax:                                     |                                         |                     |                                        |                     |
| Interest rate swap amounts reclassified into interest expense                      | 1,678                                   | 1,041               | 5,081                                  | 3,114               |
| Fuel hedge amounts reclassified into cost of operations                            | 1,342                                   | 874                 | 4,616                                  | 2,165               |
| Changes in fair value of interest rate swaps                                       | 3,535                                   | (6,066)             | (6,980)                                | (10,503)            |
| Changes in fair value of fuel hedges                                               | 1,019                                   | (4,891)             | 1,343                                  | (7,069)             |
| Foreign currency translation adjustment                                            | (16,642)                                | -                   | (3,991)                                | -                   |
| Other comprehensive income (loss), before tax                                      | (9,068)                                 | (9,042)             | 69                                     | (12,293)            |
| Income tax (expense) benefit related to items of other comprehensive income (loss) | (2,282)                                 | 3,403               | (922)                                  | 4,650               |
| Other comprehensive loss, net of tax                                               | (11,350)                                | (5,639)             | (853)                                  | (7,643)             |
| Comprehensive income (loss)                                                        | 77,531                                  | (262,444)           | 160,765                                | (154,725)           |
| Less: Comprehensive income attributable to noncontrolling interests                | (264)                                   | (204)               | (670)                                  | (743)               |
| Comprehensive income (loss) attributable to Waste Connections                      | <u>\$ 77,267</u>                        | <u>\$ (262,648)</u> | <u>\$ 160,095</u>                      | <u>\$ (155,468)</u> |

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

WASTE CONNECTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2016  
(Unaudited)  
(In thousands, except share amounts)

|                                                                                                         | Waste Connections' Equity |                         |                                  |                                                        |                           |                           |                      |                             | Total               |
|---------------------------------------------------------------------------------------------------------|---------------------------|-------------------------|----------------------------------|--------------------------------------------------------|---------------------------|---------------------------|----------------------|-----------------------------|---------------------|
|                                                                                                         | Common Shares<br>Shares   | Common Shares<br>Amount | Additional<br>Paid-In<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury Shares<br>Shares | Treasury Shares<br>Amount | Retained<br>Earnings | Noncontrolling<br>Interests |                     |
| <b>Balances at December 31, 2015</b>                                                                    | 122,375,955               | \$ 1,224                | \$ 736,652                       | \$ (12,171)                                            | -                         | \$ -                      | \$ 1,259,495         | \$ 6,584                    | \$ 1,991,784        |
| Conversion of Old Waste Connections' shares of common stock into common shares of New Waste Connections | -                         | 650,552                 | (650,552)                        | -                                                      | -                         | -                         | -                    | -                           | -                   |
| Issuance of common shares to acquire Progressive Waste                                                  | 52,145,919                | 3,503,162               | -                                | -                                                      | -                         | -                         | -                    | -                           | 3,503,162           |
| Acquired common shares held in trust                                                                    | -                         | -                       | -                                | -                                                      | 490,112                   | -                         | -                    | -                           | -                   |
| Sale of common shares held in trust                                                                     | 205,373                   | 15,341                  | -                                | -                                                      | (205,373)                 | -                         | -                    | -                           | 15,341              |
| Vesting of restricted share units                                                                       | 402,626                   | -                       | -                                | -                                                      | -                         | -                         | -                    | -                           | -                   |
| Vesting of performance-based restricted share units                                                     | 122,960                   | -                       | -                                | -                                                      | -                         | -                         | -                    | -                           | -                   |
| Restricted share units released from deferred compensation plan                                         | 39,328                    | -                       | -                                | -                                                      | -                         | -                         | -                    | -                           | -                   |
| Tax withholdings related to net share settlements of restricted share units                             | (186,037)                 | -                       | (11,461)                         | -                                                      | -                         | -                         | -                    | -                           | (11,461)            |
| Equity-based compensation                                                                               | -                         | -                       | 17,628                           | -                                                      | -                         | -                         | -                    | -                           | 17,628              |
| Exercise of warrants                                                                                    | 34,824                    | -                       | -                                | -                                                      | -                         | -                         | -                    | -                           | -                   |
| Excess tax benefit associated with equity-based compensation                                            | -                         | -                       | 5,151                            | -                                                      | -                         | -                         | -                    | -                           | 5,151               |
| Cash dividends on common shares                                                                         | -                         | -                       | -                                | -                                                      | -                         | -                         | (61,001)             | -                           | (61,001)            |
| Amounts reclassified into earnings, net of taxes                                                        | -                         | -                       | -                                | 6,193                                                  | -                         | -                         | -                    | -                           | 6,193               |
| Changes in fair value of cash flow hedges, net of taxes                                                 | -                         | -                       | -                                | (3,055)                                                | -                         | -                         | -                    | -                           | (3,055)             |
| Foreign currency translation adjustment                                                                 | -                         | -                       | -                                | (3,991)                                                | -                         | -                         | -                    | -                           | (3,991)             |
| Distributions to noncontrolling interests                                                               | -                         | -                       | -                                | -                                                      | -                         | -                         | -                    | (3)                         | (3)                 |
| Net income                                                                                              | -                         | -                       | -                                | -                                                      | -                         | -                         | 160,948              | 670                         | 161,618             |
| <b>Balances at September 30, 2016</b>                                                                   | <u>175,140,948</u>        | <u>\$ 4,170,279</u>     | <u>\$ 97,418</u>                 | <u>\$ (13,024)</u>                                     | <u>284,739</u>            | <u>\$ -</u>               | <u>\$ 1,359,442</u>  | <u>\$ 7,251</u>             | <u>\$ 5,621,366</u> |

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

WASTE CONNECTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2015  
(Unaudited)  
(In thousands, except share amounts)

|                                                                             | Waste Connections' Equity |                 |                   |                                   |                  |                    |                     |                 |                     |
|-----------------------------------------------------------------------------|---------------------------|-----------------|-------------------|-----------------------------------|------------------|--------------------|---------------------|-----------------|---------------------|
|                                                                             | Common Shares             |                 | Additional        | Accumulated                       | Treasury Shares  |                    | Retained            | Noncontrolling  | Total               |
|                                                                             | Shares                    | Amount          | Paid-In Capital   | Other Comprehensive Income (Loss) | Shares           | Amount             | Earnings            | Interests       |                     |
| <b>Balances at December 31, 2014</b>                                        | 123,984,527               | \$ 1,240        | \$ 811,289        | \$ (5,593)                        | -                | \$ -               | \$ 1,421,249        | \$ 5,556        | \$ 2,233,741        |
| Vesting of restricted share units                                           | 432,165                   | 4               | (4)               | -                                 | -                | -                  | -                   | -               | -                   |
| Restricted share units released from deferred compensation plan             | 13,652                    | -               | -                 | -                                 | -                | -                  | -                   | -               | -                   |
| Tax withholdings related to net share settlements of restricted share units | (138,493)                 | (1)             | (6,440)           | -                                 | -                | -                  | -                   | -               | (6,441)             |
| Equity-based compensation                                                   | -                         | -               | 14,433            | -                                 | -                | -                  | -                   | -               | 14,433              |
| Exercise of stock options and warrants                                      | 40,205                    | -               | 494               | -                                 | -                | -                  | -                   | -               | 494                 |
| Excess tax benefit associated with equity-based compensation                | -                         | -               | 1,986             | -                                 | -                | -                  | -                   | -               | 1,986               |
| Repurchase of common shares                                                 | (912,169)                 | (9)             | (41,698)          | -                                 | 1,050,820        | (49,458)           | -                   | -               | (91,165)            |
| Cash dividends on common shares                                             | -                         | -               | -                 | -                                 | -                | -                  | (48,246)            | -               | (48,246)            |
| Amounts reclassified into earnings, net of taxes                            | -                         | -               | -                 | 3,270                             | -                | -                  | -                   | -               | 3,270               |
| Changes in fair value of cash flow hedges, net of taxes                     | -                         | -               | -                 | (10,913)                          | -                | -                  | -                   | -               | (10,913)            |
| Distributions to noncontrolling interests                                   | -                         | -               | -                 | -                                 | -                | -                  | -                   | (43)            | (43)                |
| Net income (loss)                                                           | -                         | -               | -                 | -                                 | -                | -                  | (147,825)           | 743             | (147,082)           |
| <b>Balances at September 30, 2015</b>                                       | <u>123,419,887</u>        | <u>\$ 1,234</u> | <u>\$ 780,060</u> | <u>\$ (13,236)</u>                | <u>1,050,820</u> | <u>\$ (49,458)</u> | <u>\$ 1,225,178</u> | <u>\$ 6,256</u> | <u>\$ 1,950,034</u> |

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

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

|                                                                                          | Nine months ended September 30, |              |
|------------------------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                                          | 2016                            | 2015         |
| Cash flows from operating activities:                                                    |                                 |              |
| Net income (loss)                                                                        | \$ 161,618                      | \$ (147,082) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                                 |              |
| Loss on disposal of assets and impairments                                               | 3,572                           | 513,872      |
| Depreciation                                                                             | 270,988                         | 178,318      |
| Amortization of intangibles                                                              | 48,719                          | 21,458       |
| Foreign currency transaction gain                                                        | (339)                           | -            |
| Deferred income taxes, net of acquisitions                                               | 35,968                          | (161,811)    |
| Amortization of debt issuance costs                                                      | 3,877                           | 2,428        |
| Share-based compensation                                                                 | 35,476                          | 14,433       |
| Interest income on restricted assets                                                     | (366)                           | (319)        |
| Interest accretion                                                                       | 7,038                           | 5,346        |
| Excess tax benefit associated with equity-based compensation                             | (5,151)                         | (1,986)      |
| Adjustments to contingent consideration                                                  | (2,563)                         | (19,809)     |
| Payment of contingent consideration recorded in earnings                                 | (413)                           | -            |
| Net change in operating assets and liabilities, net of acquisitions                      | (19,593)                        | 58,480       |
| Net cash provided by operating activities                                                | 538,831                         | 463,328      |
| Cash flows from investing activities:                                                    |                                 |              |
| Payments for acquisitions, net of cash acquired                                          | (13,703)                        | (112,090)    |
| Cash acquired in the Progressive Waste acquisition                                       | 65,739                          | -            |
| Capital expenditures for property and equipment                                          | (204,934)                       | (168,379)    |
| Proceeds from disposal of assets                                                         | 3,026                           | 1,676        |
| Change in restricted assets, net of interest income                                      | (188)                           | (367)        |
| Other                                                                                    | (2,987)                         | 2,163        |
| Net cash used in investing activities                                                    | (153,047)                       | (276,997)    |
| Cash flows from financing activities:                                                    |                                 |              |
| Proceeds from long-term debt                                                             | 3,407,359                       | 914,500      |
| Principal payments on notes payable and long-term debt                                   | (3,612,763)                     | (941,440)    |
| Payment of contingent consideration recorded at acquisition date                         | (12,105)                        | (190)        |
| Change in book overdraft                                                                 | 6,050                           | 65           |
| Proceeds from option and warrant exercises                                               | -                               | 494          |
| Excess tax benefit associated with equity-based compensation                             | 5,151                           | 1,986        |
| Payments for repurchase of common shares                                                 | -                               | (91,165)     |
| Payments for cash dividends                                                              | (61,001)                        | (48,246)     |
| Tax withholdings related to net share settlements of restricted share units              | (11,461)                        | (6,441)      |
| Distributions to noncontrolling interests                                                | (3)                             | (43)         |
| Debt issuance costs                                                                      | (13,508)                        | (6,651)      |
| Proceeds from sale of common shares held in trust                                        | 15,341                          | -            |
| Net cash used in financing activities                                                    | (276,940)                       | (177,131)    |
| Effect of exchange rate changes on cash and equivalents                                  | (483)                           | -            |
| Net increase in cash and equivalents                                                     | 108,361                         | 9,200        |
| Cash and equivalents at beginning of period                                              | 10,974                          | 14,353       |
| Cash and equivalents at end of period                                                    | \$ 119,335                      | \$ 23,553    |
| Non-cash financing activities:                                                           |                                 |              |
| Liabilities assumed and notes payable issued to sellers of businesses acquired           | \$ 2,572,034                    | \$ 12,734    |
| Issuance of common shares to acquire Progressive Waste                                   | \$ 3,503,162                    | \$ -         |

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 PER SHARE, PER TON AND PER GALLON AMOUNTS)

**1. BASIS OF PRESENTATION AND SUMMARY**

On June 1, 2016, pursuant to the terms of the Agreement and Plan of Merger dated as of January 18, 2016 (the “Merger Agreement”), Water Merger Sub LLC (“Merger Sub”), a Delaware limited liability company and a wholly-owned subsidiary of Progressive Waste Solutions Ltd., merged with and into Waste Connections US, Inc. (f/k/a Waste Connections, Inc.), a Delaware corporation (“Old Waste Connections”) with Old Waste Connections continuing as the surviving corporation and an indirect wholly-owned subsidiary of Waste Connections, Inc. (f/k/a Progressive Waste Solutions Ltd.), a corporation organized under the laws of Ontario, Canada. Following the closing of the transaction, Old Waste Connections’ common stock was delisted from the New York Stock Exchange (“NYSE”) and deregistered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Pursuant to the Merger Agreement, Old Waste Connections’ stockholders received common shares of Waste Connections, Inc. (f/k/a Progressive Waste Solutions Ltd.) in exchange for their shares of common stock of Old Waste Connections.

As further discussed in Note 6 – “Acquisitions,” the Progressive Waste acquisition was accounted for as a reverse merger using the acquisition method of accounting. Old Waste Connections has been identified as the acquirer for accounting purposes and the acquisition method of accounting has been applied. The term “Progressive Waste” is used herein in the context of references to Progressive Waste Solutions Ltd. and its shareholders prior to the completion of the Progressive Waste acquisition on June 1, 2016.

The accompanying condensed consolidated financial statements relating to Waste Connections, Inc. (f/k/a Progressive Waste Solutions Ltd., and together with its subsidiaries, “New Waste Connections,” “WCI” or the “Company”) are the historical financial statements of Old Waste Connections for the three and nine month periods ended September 30, 2016 and 2015, with the inclusion on June 1, 2016 of the fair value of the assets and liabilities acquired from Progressive Waste and the inclusion of the results of operations from the acquired Progressive Waste operations commencing on June 1, 2016. In the opinion of management, the accompanying balance sheets and related interim statements of net income, comprehensive income, cash flows and equity include all adjustments, consisting only of normal recurring items, necessary for their fair statement 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, revenues and expenses. Examples include accounting for landfills, self-insurance accruals, income taxes, allocation of acquisition purchase price, contingent consideration accruals 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. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in Old Waste Connections’ Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**2. REPORTING CURRENCY**

The functional currency of the Company’s parent corporate entity and the operating subsidiaries in the United States is the U.S. dollar. The functional currency of the Company’s Canadian operations is the Canadian dollar. The reporting currency of the Company is the U.S. dollar. The Company’s consolidated Canadian dollar financial position is translated to U.S. dollars by applying the foreign currency exchange rate in effect at the consolidated balance sheet date. The Company’s consolidated Canadian dollar results of operations and cash flows are translated to U.S. dollars by applying the average foreign currency exchange rate in effect during the reporting period. The resulting translation adjustments are included in other comprehensive income or loss. Gains and losses from foreign currency transactions are included in earnings for the period.

**3. NEW ACCOUNTING STANDARDS**

Revenue From Contracts With Customers. In May 2014, the Financial Accounting Standards Board (the “FASB”) issued guidance to provide a single, comprehensive revenue recognition model for all contracts with customers. The revenue guidance contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017 for public entities, with early adoption permitted (but not earlier than the original effective date of the pronouncement). The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Accounting for Share-Based Payment When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period. In June 2014, the FASB issued guidance that applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. It requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and follows existing accounting guidance for the treatment of performance conditions. The standard will be effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. The Company adopted this guidance as of January 1, 2016. The adoption of this guidance did not have a material impact on the Company's financial position or results of operations.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. In August 2014, the FASB issued guidance that requires management to evaluate, for each annual and interim reporting period, whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued or are available to be issued. If substantial doubt is raised, additional disclosures around management's plan to alleviate these doubts are required. This update will become effective for all annual periods and interim reporting periods ending after December 15, 2016. This standard is not expected to have any impact on current disclosures in the financial statements.

Balance Sheet Classification of Deferred Taxes. In November 2015, the FASB issued guidance that requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The guidance does not change the existing requirement that only permits offsetting within a jurisdiction. The new standard is effective in fiscal years beginning after December 15, 2016, including interim periods within those years, with early adoption permitted. The adoption of this guidance will result in the Company's current deferred tax assets being recorded as noncurrent on a prospective basis. The Company's current deferred tax assets were \$82,547 and \$49,727 at September 30, 2016 and December 31, 2015, respectively.

Lease Accounting. In February 2016, the FASB issued guidance that requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company has not determined the effect the adoption of this lease accounting guidance will have on its financial position or results of operations.

Improvements to Employee Share-Based Payment Accounting. In March 2016, the FASB issued guidance that identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, certain classifications on the statement of cash flows and income tax consequences including that all income tax effects of awards are to be recognized in the income statement when the awards are settled whereas previously the tax benefits in excess of compensation cost were recorded in equity. The new standard is effective for public companies for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption will be permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

Principal versus Agent Considerations (Reporting Revenue Gross versus Net). In March 2016, the FASB issued guidance that clarifies the implementation of the new revenue standard on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The amendments have the same effective date and transition requirements as the new revenue standard, which is described above. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued guidance that addresses eight targeted changes with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The new standard is effective for public companies for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company does not expect the adoption of this guidance to have a material impact on the Company's statement of cash flows.

**4. RECLASSIFICATION**

Certain amounts reported in the Company's prior year financial statements have been reclassified to conform with the 2016 presentation.

**5. LANDFILL ACCOUNTING**

At September 30, 2016, the Company owned or operated 69 municipal solid waste ("MSW") landfills, 11 exploration and production ("E&P") waste landfills, which only accept E&P waste, and 14 non-MSW landfills, which only accept construction and demolition, industrial and other non-putrescible waste. At September 30, 2016, the Company's landfills consisted of 80 owned landfills, eight landfills operated under life-of-site operating agreements and six landfills operated under limited-term operating agreements. The Company's landfills had site costs with a net book value of \$2,774,659 at September 30, 2016. For the Company's landfills operated under limited-term operating agreements and life-of-site operating agreements, the owner of the property (generally a municipality) usually owns the permit and the Company operates the landfill for a contracted term. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities at the landfills it operates under life-of-site operating agreements.

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

Based on remaining permitted capacity as of September 30, 2016, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is estimated to be approximately 28 years. As of September 30, 2016, the Company is seeking to expand permitted capacity at 17 of its owned landfills and two landfills that it operates under life-of-site operating agreements, 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 approximately 34 years, with lives ranging from approximately 1 to 185 years.

During the nine months ended September 30, 2016 and 2015, the Company expensed \$98,075 and \$61,226, respectively, or an average of \$4.27 and \$3.87 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The Company reserves for estimated 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 liabilities by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company's final capping, closure and post-closure liabilities being recorded in "layers." The Company's discount rate assumption for purposes of computing 2016 and 2015 "layers" for final capping, closure and post-closure obligations was 4.75% for both years, which reflects the Company's long-term credit adjusted risk free rate as of the end of both 2015 and 2014. The Company's inflation rate assumption is 2.5% for the years ending December 31, 2016 and 2015. The resulting final capping, closure and post-closure obligations are recorded on the condensed consolidated balance sheet along with an offsetting addition to site costs which is amortized to depletion expense as the remaining landfill airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the nine months ended September 30, 2016 and 2015, the Company expensed \$5,740 and \$2,756 respectively, or an average of \$0.25 and \$0.17 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2015 to September 30, 2016:

|                                                                         |                   |
|-------------------------------------------------------------------------|-------------------|
| Final capping, closure and post-closure liability at December 31, 2015  | \$ 78,613         |
| Adjustments to final capping, closure and post-closure liabilities      | (6,914)           |
| Liabilities incurred                                                    | 7,271             |
| Accretion expense associated with landfill obligations                  | 5,740             |
| Closure payments                                                        | (2,235)           |
| Assumption of closure liabilities from acquisitions                     | 158,712           |
| Final capping, closure and post-closure liability at September 30, 2016 | <u>\$ 241,187</u> |

The Adjustments to final capping, closure and post-closure liabilities primarily consisted of increases in estimated airspace at some of the Company's landfills at which expansions are being pursued, decreases in estimated annual tonnage consumptions at various landfills, decreases in estimated closure costs at some of the Company's landfills and changes in engineering estimates of total site capacity. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At September 30, 2016 and December 31, 2015, \$55,452 and \$43,636 of the Company's restricted assets balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

## 6. ACQUISITIONS

### Progressive Waste Acquisition

As described in Note 1, on June 1, 2016, pursuant to the Merger Agreement, Merger Sub merged with and into Old Waste Connections in an all-stock business combination with Old Waste Connections continuing as the surviving corporation and an indirect wholly-owned subsidiary of New Waste Connections. The term "Progressive Waste" is used herein in the context of references to Progressive Waste Solutions Ltd. and its shareholders prior to the completion of the Progressive Waste acquisition on June 1, 2016. The financial statements presented herein are the historical financial statements of Old Waste Connections with the inclusion on June 1, 2016 of the fair value of the identifiable assets and liabilities acquired from Progressive Waste and the inclusion of the results of operations from the acquired Progressive Waste operations commencing on June 1, 2016.

Under the terms of the Merger Agreement, Old Waste Connections' stockholders received 2.076843 New Waste Connections shares for each Old Waste Connections share they owned. Immediately following the completion of the Progressive Waste acquisition, New Waste Connections also completed (i) a consolidation whereby every 2.076843 common shares outstanding were converted into one common share (the "Consolidation") and (ii) an amalgamation with a wholly-owned subsidiary whereby its legal name was changed from Progressive Waste Solutions Ltd. to Waste Connections, Inc. (the "Amalgamation"). Upon completion of the Progressive Waste acquisition, Old Waste Connections' former stockholders owned approximately 70% of the Company, and Progressive Waste's former shareholders owned approximately 30%. All share amounts stated herein reflect shares on a post-Consolidation basis.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Following the completion of the Progressive Waste acquisition, the Consolidation and the Amalgamation, on June 1, 2016, the post-Consolidation common shares of New Waste Connections (the “Common Shares”) commenced trading on the Toronto Stock Exchange (the “TSX”) and on the NYSE under the ticker symbol “WCN.” The common stock of Old Waste Connections, which traded previously under the symbol “WCN,” ceased trading on, and has been delisted from, the NYSE.

The transaction was accounted for as a reverse merger using the acquisition method of accounting. Old Waste Connections has been identified as the acquirer for accounting purposes and the acquisition method of accounting has been applied. Identifying the acquirer requires various considerations including the relative voting rights post-closing, the size of minority voting interests and the composition of the board of directors and senior management. Based on these considerations, Old Waste Connections’ former stockholders hold a majority of the post-closing voting rights of the combined company and both the post-closing composition of the board of directors and senior management are most closely aligned with Old Waste Connections. The Progressive Waste acquisition provided the Company with significant strategic and financial benefits including enhanced size and revenue diversification, increased earnings and cash flows and better access to capital markets.

The results of operations from the acquired Progressive Waste operations have been included in the Company’s Condensed Consolidated Financial Statements from June 1, 2016, the acquisition date. Total revenues during the period from June 1, 2016 to September 30, 2016, generated from the operations acquired in the Progressive Waste acquisition and included within consolidated revenues, were \$687,108. Total pre-tax earnings during the period from June 1, 2016 to September 30, 2016, generated from the operations acquired in the Progressive Waste acquisition and included within consolidated income before income taxes, were \$68,289.

The following table summarizes the consideration transferred to acquire Progressive Waste and the preliminary amounts of identifiable assets acquired and liabilities assumed:

|                                                                                                                   |                     |
|-------------------------------------------------------------------------------------------------------------------|---------------------|
| Fair value of consideration transferred:                                                                          |                     |
| Shares issued                                                                                                     | \$ 3,503,162        |
| Debt assumed                                                                                                      | 1,729,274           |
|                                                                                                                   | <u>5,232,436</u>    |
| Less: cash acquired                                                                                               | (65,739)            |
| Net fair value of consideration transferred                                                                       | <u>5,166,697</u>    |
| Recognized amounts of identifiable assets acquired and liabilities assumed associated with the business acquired: |                     |
| Accounts receivable                                                                                               | 231,449             |
| Prepaid expenses and other current assets                                                                         | 29,348              |
| Restricted assets                                                                                                 | 16,551              |
| Property and equipment                                                                                            | 2,100,015           |
| Contracts                                                                                                         | 223,885             |
| Customer lists                                                                                                    | 255,112             |
| Other intangibles                                                                                                 | 218,499             |
| Other assets                                                                                                      | 6,343               |
| Accounts payable and accrued liabilities                                                                          | (267,153)           |
| Deferred revenue                                                                                                  | (35,635)            |
| Contingent consideration                                                                                          | (15,902)            |
| Other long-term liabilities                                                                                       | (185,545)           |
| Deferred income taxes                                                                                             | (336,777)           |
| Total identifiable net assets                                                                                     | <u>2,240,190</u>    |
| Goodwill                                                                                                          | <u>\$ 2,926,507</u> |

During the three months ended September 30, 2016, the Company increased goodwill \$64,590, property and equipment \$16,408, contracts \$13,473, customer lists \$19,609 and deferred income taxes \$112,661.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Following the merger of Merger Sub into Old Waste Connections, and the issuance of 2.076843 New Waste Connections shares for each Old Waste Connections share as a result of the Consolidation, the Company issued an additional 52,145,919 common shares at \$67.18, the closing price on the NYSE of New Waste Connections common shares on June 1, 2016 as share consideration for the Progressive Waste acquisition. The Company assumed \$1,729,274 of debt in the acquisition, consisting of \$1,659,465 of amounts outstanding under the Progressive Waste credit facilities that were repaid in full following the close of the acquisition, \$64,000 of tax-exempt bonds and \$5,809 of other long-term debt. See Note 8 for further discussion of the debt assumed.

Contingent consideration acquired consists primarily of two amounts payable to the former owners of an acquisition completed by Progressive Waste in 2015. The first contingent amount payable is based on the acquired operations exceeding earnings targets specified in the purchase agreement over a one-year period ending September 30, 2017. There is no limit to this contingent amount payable under the terms of the purchase agreement, the fair value of which was computed at \$10,488, based upon applying a discount rate of 2.0% to the probability assessment of the expected future cash flows over the period in which the obligation is expected to be settled. The second contingent amount payable has a maximum possible payment of \$5,000, representing a purchase price holdback payable to the former owners subject to the satisfaction of various business performance conditions through December 31, 2016.

The goodwill acquired is primarily attributable to growth opportunities at operations acquired in the Progressive Waste acquisition and synergies that are expected to arise as a result of the acquisition. The expected tax deductible amount of the goodwill acquired is \$303,594.

The fair value of acquired working capital related to Progressive Waste is provisional pending final resolution of information that existed at the acquisition date to support the fair value of the assets acquired and liabilities assumed. The fair value related to certain other assets and liabilities is provisional as well, based on information existing at the acquisition date, and is subject to change. Measurement period adjustments will be evaluated to determine whether they relate to facts and circumstances that existed at the acquisition date. Any measurement period adjustments recorded will be recognized in the reporting period in which they are identified.

The gross amount of trade receivables due under contracts is \$238,952, of which \$7,503 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the Progressive Waste acquisition.

The Company incurred \$31,588 of acquisition-related costs for the Progressive Waste acquisition during the nine months ended September 30, 2016. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

#### Other Acquisitions

The Company acquired 10 individually immaterial non-hazardous solid waste collection businesses during the nine months ended September 30, 2016. The total acquisition-related costs incurred during the nine months ended September 30, 2016 for these acquisitions was \$773. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

In January 2015, the Company acquired Shale Gas Services, LLC ("Shale Gas"), which owns two E&P waste stream treatment and recycling operations in Arkansas and Texas, for cash consideration of \$41,000 and potential future contingent consideration. The contingent consideration would be paid to the former owners of Shale Gas based on the achievement of certain operating targets for the acquired operations, as specified in the membership purchase agreement, over a two-year period following the close of the acquisition. The Company used probability assessments of the expected future cash flows and determined that no liability for payment of future contingent consideration existed as of the acquisition close date. As of September 30, 2016, the assessment that no liability existed for payment of future contingent consideration has not changed.

In March 2015, the Company acquired DNCS Properties, LLC ("DNCS"), which owns land and permits to construct and operate an E&P waste facility in the Permian Basin, for cash consideration of \$30,000 and a long-term note issued to the former owners of DNCS with a fair value of \$5,088. The long-term note requires ten annual principal payments of \$500, followed by an additional ten annual principal payments of \$250, for total future cash payments of \$7,500. The fair value of the long-term note was determined by applying a discount rate of 4.75% to the payments over the 20-year payment period.

In addition to the acquisitions of Shale Gas and DNCS, the Company acquired 10 individually immaterial non-hazardous solid waste collection and disposal businesses during the nine months ended September 30, 2015. The total acquisition-related costs incurred during the nine months ended September 30, 2015 for these acquisitions was \$1,372. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The results of operations of these acquired businesses have been included in the Company's Condensed Consolidated Financial Statements from their respective acquisition dates. The Company expects these acquired businesses to contribute towards the achievement of the Company's strategy to expand through acquisitions. Goodwill acquired is attributable to the synergies and ancillary growth opportunities expected to arise after the Company's acquisition of these businesses.

The following table summarizes the consideration transferred to acquire these businesses and the preliminary amounts of identifiable assets acquired and liabilities assumed at the acquisition dates for these individually immaterial acquisitions consummated in the nine months ended September 30, 2016 and 2015:

|                                                                                                                 | <b>2016</b>         | <b>2015</b>         |
|-----------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                 | <b>Acquisitions</b> | <b>Acquisitions</b> |
| Fair value of consideration transferred:                                                                        |                     |                     |
| Cash                                                                                                            | \$ 13,703           | \$ 112,090          |
| Notes issued to sellers                                                                                         | -                   | 6,091               |
|                                                                                                                 | <u>13,703</u>       | <u>118,181</u>      |
| Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired: |                     |                     |
| Accounts receivable                                                                                             | 521                 | 6,434               |
| Prepaid expenses and other current assets                                                                       | 477                 | 392                 |
| Property and equipment                                                                                          | 4,397               | 32,425              |
| Long-term franchise agreements and contracts                                                                    | -                   | 4,231               |
| Customer lists                                                                                                  | 5,079               | 4,070               |
| Permits                                                                                                         | -                   | 34,998              |
| Indefinite-lived intangibles                                                                                    | -                   | 1,257               |
| Other intangibles                                                                                               | -                   | 2,073               |
| Other assets                                                                                                    | 261                 | 977                 |
| Accounts payable and accrued liabilities                                                                        | (744)               | (2,597)             |
| Deferred revenue                                                                                                | (659)               | (2,470)             |
| Contingent consideration                                                                                        | (345)               | (515)               |
| Other long-term liabilities                                                                                     | -                   | (1,061)             |
| Total identifiable net assets                                                                                   | <u>8,987</u>        | <u>80,214</u>       |
| Goodwill                                                                                                        | <u>\$ 4,716</u>     | <u>\$ 37,967</u>    |

The acquisitions of 10 non-hazardous solid waste collection businesses resulted in goodwill acquired during the nine months ended September 30, 2016, totaling \$4,716, which is expected to be deductible for tax purposes. Goodwill acquired during the nine months ended September 30, 2015, totaling \$37,967, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to four individually immaterial acquisitions completed during the nine months ended September 30, 2016, is provisional pending receipt of information from the acquirees to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these four acquisitions are not expected to be material to the Company's financial position.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2016, is \$947, of which \$426 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2015, is \$6,705, of which \$271 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisitions of these businesses.

**Pro Forma Results of Operations**

The following pro forma results of operations assume that the Company's acquisition of Progressive Waste and its other acquisitions that were collectively insignificant, occurring during the nine months ended September 30, 2016 and 2015, were acquired as of January 1, 2015 (unaudited):

|                          | <b>Nine Months Ended September 30,</b> |              |
|--------------------------|----------------------------------------|--------------|
|                          | <b>2016</b>                            | <b>2015</b>  |
| Total revenue            | \$ 3,136,249                           | \$ 3,092,513 |
| Net income               | 279,907                                | (81,256)     |
| Basic income per share   | 1.60                                   | (0.46)       |
| Diluted income per share | 1.60                                   | (0.46)       |

The unaudited pro forma results of operations do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on January 1, 2015, nor are they necessarily indicative of future operating results. The above unaudited pro forma financial information includes adjustments to acquisition expenses incurred by the Company and the acquired businesses, severance payments to employees terminated as a result of the acquisitions, equity-based compensation expenses incurred as a result of accelerated vesting resulting from the Progressive Waste acquisition, interest expense on new and refinanced debt attributable to the acquisitions, expenses incurred by Progressive Waste to terminate interest rate swaps resulting from its credit facility being terminated, depreciation expense on acquired property and equipment, amortization of identifiable intangible assets acquired, accretion of closure and post-closure interest expense on acquired landfills and provision for income taxes.

**7. GOODWILL AND INTANGIBLE ASSETS, NET**

The Company tests goodwill for impairment annually in the fourth quarter of the year and whenever events or changes in circumstances indicate the carrying value of goodwill and/or indefinite-lived intangible assets may not be recoverable. In the first step ("Step 1") of testing for goodwill impairment, the Company estimates the fair value of each reporting unit, which consisted of five geographic operating segments and its E&P segment at September 30, 2016 and three geographic operating segments and its E&P segment at September 30, 2015, and compares the fair value with the carrying value of the net assets assigned to each reporting unit. If the fair value of a reporting unit is greater than the carrying value of the net assets, including goodwill, assigned to the reporting unit, then no impairment results. If the fair value is less than its carrying value, then the Company would perform a second step and determine the fair value of the goodwill. In this second step ("Step 2"), the fair value of goodwill is determined by deducting the fair value of a reporting unit's identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge is recorded to Impairments and other operating charges in the Condensed Consolidated Statements of Net Income (Loss).

During the third quarter of 2015, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill and indefinite-lived intangible assets impairment analysis for its E&P segment as a result of the sustained decline in oil prices in the year-to-date 2015 period, together with market expectations of a likely slow recovery in such prices. The Company, therefore, performed an interim Step 1 assessment of its E&P segment during the third quarter of 2015. The Step 1 assessment involved measuring the recoverability of goodwill by comparing the E&P segment's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value was estimated using an income approach employing a discounted cash flow ("DCF") model. The DCF model incorporated projected cash flows over a forecast period based on the remaining estimated lives of the operating locations comprising the E&P segment. This was based on a number of key assumptions, including, but not limited to, a discount rate of 11.6%, annual revenue projections based on E&P waste resulting from projected levels of oil and natural gas exploration and production activity during the forecast period, gross margins based on estimated operating expense requirements during the forecast period and estimated capital expenditures over the forecast period, all of which were classified as Level 3 in the fair value hierarchy. As a result of the Step 1 assessment, the Company determined that the E&P segment did not pass the Step 1 test because the carrying value exceeded the estimated fair value of the reporting unit. The Company then performed the Step 2 test to determine the fair value of goodwill for its E&P segment. Based on the Step 1 and Step 2 analyses, the Company recorded a goodwill impairment charge within its E&P segment of \$411,786 during the three months ended September 30, 2015.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Prior to conducting the first step of the goodwill impairment test for the E&P segment, the Company first evaluated the recoverability of its long-lived assets, including finite-lived intangible assets. When indicators of impairment are present, the Company tests long-lived assets for recoverability by comparing the carrying value of an asset group to its undiscounted cash flows. The Company considered the sustained decline in oil prices in the year-to-date 2015 period, together with market expectations of a likely slow recovery in such prices, to be indicators of impairment for the E&P segment's long-lived assets. Based on the result of the recoverability test, the Company determined that the carrying value of certain asset groups within the E&P segment exceeded their undiscounted cash flows and were therefore not recoverable. The Company then compared the fair value of these asset groups to their carrying values. The Company estimated the fair value of the asset groups under an income approach, as described above. Based on the analysis, the Company recorded an impairment charge to Impairments and other operating items in the Condensed Consolidated Statements of Net Income (Loss) on certain long-lived assets within its E&P segment of \$63,928 during the three months ended September 30, 2015.

Additionally, the Company evaluated the recoverability of the E&P segment's indefinite-lived intangible assets (other than goodwill) by comparing the estimated fair value of each indefinite-lived intangible asset to its carrying value. The Company estimated the fair value of the indefinite-lived intangible assets using an excess earnings approach. Based on the result of the recoverability test, the Company determined that the carrying value of certain indefinite-lived intangible assets within the E&P segment exceeded their fair value and were therefore not recoverable. The Company recorded an impairment charge to Impairments and other operating items in the Condensed Consolidated Statements of Net Income (Loss) on certain indefinite-lived intangible assets within its E&P segment of \$38,300 during the three months ended September 30, 2015.

Intangible assets, exclusive of goodwill, consisted of the following at September 30, 2016:

|                                                   | <b>Gross Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Accumulated<br/>Impairment<br/>Loss</b> | <b>Net Carrying<br/>Amount</b> |
|---------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------------------|--------------------------------|
| <b>Finite-lived intangible assets:</b>            |                                  |                                     |                                            |                                |
| Long-term franchise agreements and contracts      | \$ 433,711                       | \$ (77,025)                         | \$ -                                       | \$ 356,686                     |
| Customer lists                                    | 433,780                          | (123,312)                           | -                                          | 310,468                        |
| Permits and other                                 | 299,606                          | (18,844)                            | -                                          | 280,762                        |
|                                                   | <u>1,167,097</u>                 | <u>(219,181)</u>                    | <u>-</u>                                   | <u>947,916</u>                 |
| <b>Indefinite-lived intangible assets:</b>        |                                  |                                     |                                            |                                |
| Solid waste collection and transportation permits | 152,761                          | -                                   | -                                          | 152,761                        |
| Material recycling facility permits               | 42,283                           | -                                   | -                                          | 42,283                         |
| E&P facility permits                              | 59,855                           | -                                   | (38,507)                                   | 21,348                         |
|                                                   | <u>254,899</u>                   | <u>-</u>                            | <u>(38,507)</u>                            | <u>216,392</u>                 |
| <b>Intangible assets, exclusive of goodwill</b>   | <u>\$ 1,421,996</u>              | <u>\$ (219,181)</u>                 | <u>\$ (38,507)</u>                         | <u>\$ 1,164,308</u>            |

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the nine months ended September 30, 2016 was 15.5 years. The weighted-average amortization period of customer lists acquired during the nine months ended September 30, 2016 was 11.6 years. The weighted-average amortization period of finite-lived permits and other acquired during the nine months ended September 30, 2016 was 20.0 years.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2015:

|                                                   | <b>Gross Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Accumulated<br/>Impairment<br/>Loss</b> | <b>Net Carrying<br/>Amount</b> |
|---------------------------------------------------|----------------------------------|-------------------------------------|--------------------------------------------|--------------------------------|
| Finite-lived intangible assets:                   |                                  |                                     |                                            |                                |
| Long-term franchise agreements and contracts      | \$ 210,384                       | \$ (60,205)                         | \$ -                                       | \$ 150,179                     |
| Customer lists                                    | 173,855                          | (96,941)                            | -                                          | 76,914                         |
| Permits and other                                 | 81,240                           | (13,587)                            | -                                          | 67,653                         |
|                                                   | <u>465,479</u>                   | <u>(170,733)</u>                    | <u>-</u>                                   | <u>294,746</u>                 |
| Indefinite-lived intangible assets:               |                                  |                                     |                                            |                                |
| Solid waste collection and transportation permits | 152,761                          | -                                   | -                                          | 152,761                        |
| Material recycling facility permits               | 42,283                           | -                                   | -                                          | 42,283                         |
| E&P facility permits                              | 59,855                           | -                                   | (38,351)                                   | 21,504                         |
|                                                   | <u>254,899</u>                   | <u>-</u>                            | <u>(38,351)</u>                            | <u>216,548</u>                 |
| Intangible assets, exclusive of goodwill          | <u>\$ 720,378</u>                | <u>\$ (170,733)</u>                 | <u>\$ (38,351)</u>                         | <u>\$ 511,294</u>              |

Estimated future amortization expense for the next five years relating to finite-lived intangible assets is as follows:

|                                       |            |
|---------------------------------------|------------|
| For the year ending December 31, 2016 | \$ 76,035  |
| For the year ending December 31, 2017 | \$ 105,045 |
| For the year ending December 31, 2018 | \$ 98,556  |
| For the year ending December 31, 2019 | \$ 88,582  |
| For the year ending December 31, 2020 | \$ 80,115  |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

**8. LONG-TERM DEBT**

Long-term debt consists of the following:

|                                                                                                      | September 30,<br>2016 | December 31,<br>2015 |
|------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Revolver under Credit Agreement, bearing interest ranging from 2.08% to 2.95% <sup>(a)</sup>         | \$ 357,947            | \$ -                 |
| Term loan under Credit Agreement, bearing interest at 1.72% <sup>(a)</sup>                           | 1,637,500             | -                    |
| Revolver under prior credit agreement, bearing interest ranging from 1.44% to 3.70% <sup>(b)</sup>   | -                     | 390,000              |
| Term loan under prior credit agreement, bearing interest at 1.44% <sup>(b)</sup>                     | -                     | 800,000              |
| 2016 Notes, bearing interest at 3.30%                                                                | -                     | 100,000              |
| 2018 Notes, bearing interest at 4.00%                                                                | 50,000                | 50,000               |
| 2019 Notes, bearing interest at 5.25%                                                                | 175,000               | 175,000              |
| 2021 Notes, bearing interest at 4.64%                                                                | 100,000               | 100,000              |
| New 2021 Notes, bearing interest at 2.39%                                                            | 150,000               | -                    |
| 2022 Notes, bearing interest at 3.09%                                                                | 125,000               | 125,000              |
| 2023 Notes, bearing interest at 2.75%                                                                | 200,000               | -                    |
| 2025 Notes, bearing interest at 3.41%                                                                | 375,000               | 375,000              |
| 2026 Notes, bearing interest at 3.03%                                                                | 400,000               | -                    |
| Tax-exempt bonds, bearing interest ranging from 0.84% to 0.96% <sup>(a)</sup>                        | 95,430                | 31,430               |
| Notes payable to sellers and other third parties, bearing interest at 3.00% to 24.81% <sup>(a)</sup> | 14,439                | 10,855               |
|                                                                                                      | 3,680,316             | 2,157,285            |
| Less – current portion                                                                               | (1,624)               | (2,127)              |
| Less – debt issuance costs                                                                           | (16,721)              | (8,031)              |
|                                                                                                      | <u>\$ 3,661,971</u>   | <u>\$ 2,147,127</u>  |

<sup>(a)</sup> Interest rates represent the interest rates incurred at September 30, 2016.

<sup>(b)</sup> Interest rates represent the interest rates incurred at December 31, 2015.

***Summary of Changes in Debt Related to Progressive Waste Acquisition***

On June 1, 2016, the Company assumed \$1,729,274 of debt in the Progressive Waste acquisition consisting of \$1,659,465 of amounts outstanding under Progressive Waste's prior Amended and Restated Credit Agreement, dated as of June 30, 2015, among Progressive Waste, Bank of America, N.A., acting through its Canada branch, as global agent, Bank of America, N.A., as the U.S. agent, and the other lenders and financial institutions party thereto (the "2015 Progressive Waste Credit Agreement"), \$64,000 of tax-exempt bonds and \$5,809 of other long-term debt.

On June 1, 2016, the Company terminated the 2015 Progressive Waste Credit Agreement. Also on June 1, 2016, Old Waste Connections terminated a Revolving Credit and Term Loan Agreement, dated as of January 26, 2015, by and among Old Waste Connections, Bank of America, N.A., as the administrative agent and swing line lender and letter of credit issuer, and certain lenders and other financial institutions party thereto (the "2015 Old Waste Connections Credit Agreement," and together with the 2015 Progressive Waste Credit Agreement, the "Prior Credit Agreements").

On June 1, 2016, the Company also entered into several financing agreements, including a Revolving Credit and Term Loan Agreement (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") with Bank of America, N.A., acting through its Canada Branch, as global agent, the swing line lender and letter of credit issuer, Bank of America, N.A., as the U.S. Agent and a letter of credit issuer, the lenders (the "Lenders") and any other financial institutions from time to time party thereto, and a Master Note Purchase Agreement (as amended, restated, amended and restated, assumed, supplemented or modified from time to time, the "2016 NPA") with certain accredited institutional investors, as more fully described below. Proceeds from the borrowings under the Credit Agreement were used initially to refinance indebtedness of the Company and its subsidiaries under the Prior Credit Agreements and for the payment of transaction fees and expenses related to the Progressive Waste acquisition. The Company used proceeds from the sale of the 2016 Senior Notes (defined below) to refinance existing indebtedness and for general corporate purposes.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

***New Credit Agreement***

As described above, on June 1, 2016, the Company entered into the Credit Agreement, which has a scheduled maturity date of June 1, 2021.

Details of the Credit Agreement at September 30, 2016 are as follows:

|                                                     |              |
|-----------------------------------------------------|--------------|
| <i>Revolver under Credit Agreement</i>              |              |
| Available                                           | \$ 956,682   |
| Letters of credit outstanding                       | \$ 247,871   |
| Total amount drawn, as follows:                     | \$ 357,947   |
| Amount drawn – Canadian prime rate loan             | \$ 11,436    |
| Interest rate applicable - Canadian prime rate loan | 2.95%        |
| Amount drawn – Canadian BA loan                     | \$ 346,511   |
| Interest rate applicable – Canadian BA loan         | 2.08%        |
| Commitment – rate applicable                        | 0.15%        |
| <i>Term loan under Credit Agreement</i>             |              |
| Amount drawn – U.S. based LIBOR loan                | \$ 1,637,500 |
| Interest rate applicable – U.S. based LIBOR loan    | 1.72%        |

Pursuant to the terms and conditions of the Credit Agreement, the Lenders have committed to provide a \$3,200,000 credit facility to the Company, consisting of (i) revolving advances up to an aggregate principal amount of \$1,562,500 at any one time outstanding, and (ii) a term loan in an aggregate principal amount of \$1,637,500, which term loan was fully drawn at closing. As part of the aggregate commitments under the revolving advances, the Credit Agreement provides for letters of credit to be issued at the request of the Company in an aggregate amount not to exceed \$500,000 and for swing line loans to be issued at the request of the Company in an aggregate amount not to exceed the lesser of \$75,000 and the aggregate commitments under the revolving advances. This swing line sublimit is part of, and not in addition to, the aggregate commitments under the revolving advances. In addition, certain existing letters of credit in place under the Prior Credit Agreements are continued and now deemed issued under and governed by the terms of the Credit Agreement. Subject to certain specified conditions and additional deliveries, the Company has the option to request increases in the aggregate commitments for revolving advances and one or more additional term loans, provided that (i) the aggregate principal amount of such requests does not exceed \$500,000 and (ii) the aggregate principal amount of commitments and term loans under the credit facility does not exceed \$3,700,000. The Company has \$6,913 of debt issuance costs related to the Credit Agreement recorded in Other assets, net in the Condensed Consolidated Balance Sheets at September 30, 2016, which are being amortized through the maturity date, or June 1, 2021.

Advances are available under the Credit Agreement in U.S. dollars and Canadian dollars. Interest accrues on the term loan at a LIBOR rate or a base rate, at the Company's option, plus an applicable margin. Interest accrues on revolving advances, at the Company's option, (i) at a LIBOR rate or a base rate for U.S. dollar borrowings, plus an applicable margin, and (ii) at the Canadian prime rate for Canadian dollar borrowings, plus an applicable margin. Canadian dollar borrowings are also available by way of bankers' acceptances or BA equivalent loans ("BA loans"), subject to the payment of a drawing fee. The fees for letters of credit in US dollars and Canadian dollars are also based on the applicable margin. The applicable margin used in connection with interest rates and fees is based on the Company's leverage ratio. The applicable margin for LIBOR rate loans, drawing fees for bankers' acceptance and BA loans and letter of credit fees ranges from 1.00% to 1.50%, and the applicable margin for base rate loans, Canadian prime rate loans and swing line loans ranges from 0.00% to 0.50%. The Company will also pay a fee based on its leverage ratio on the actual daily unused amount of the aggregate revolving commitments.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The borrowings under the Credit Agreement are unsecured. Proceeds from the borrowings under the Credit Agreement may be used on a go forward basis (i) to finance acquisitions permitted under the Credit Agreement, and (ii) for capital expenditures, working capital, letters of credit, and general corporate purposes.

The Credit Agreement contains customary representations, warranties, covenants and events of default, including, among others, a change of control event of default and limitations on the incurrence of indebtedness and liens, new lines of business, mergers, transactions with affiliates and burdensome agreements. The Credit Agreement includes a financial covenant limiting, as of the last day of each fiscal quarter, the ratio of (a) (i) Consolidated Total Funded Debt (as defined in the Credit Agreement) as of such date less (ii) the sum of cash and cash equivalents of the Company and its subsidiaries on a dollar-for-dollar basis as of such date in excess of \$50,000 up to a maximum of \$200,000 (such that the maximum amount of reduction pursuant to this calculation does not exceed \$150,000) to (b) Consolidated EBITDA (as defined in the Credit Agreement), measured for the preceding 12 months, to not more than 3.50 to 1.00 (or 3.75 to 1.00 during material acquisition periods, subject to certain limitations). The Credit Agreement also includes a financial covenant requiring the ratio of Consolidated EBIT (as defined in the Credit Agreement) to Consolidated Total Interest Expense (as defined in the Credit Agreement), in each case, measured for the preceding 12 months, to be not less than 2.75 to 1.00. During the continuance of an event of default, the Lenders may take a number of actions, including, among others, declaring the entire amount then outstanding under the Credit Agreement to be due and payable. As of September 30, 2016, the Company was in compliance with all applicable covenants in the Credit Agreement.

2015 Old Waste Connections Credit Agreement

The 2015 Old Waste Connections Credit Agreement provided revolving advances up to an aggregate principal amount of \$1,200,000 at any one time outstanding (the “revolver”), a term loan in an aggregate principal amount of \$800,000 (the “term loan”) and letters of credit to be issued at the request of Old Waste Connections in an aggregate amount not to exceed \$250,000. As of December 31, 2015, \$800,000 under the term loan and \$390,000 under the revolver were outstanding under the 2015 Old Waste Connections Credit Agreement, exclusive of outstanding standby letters of credit of \$78,373. As of December 31, 2015, Old Waste Connections was in compliance with all applicable covenants in the 2015 Old Waste Connections Credit Agreement.

Interest accrued on advances on the revolver, at Old Waste Connections’ option, at a LIBOR rate plus the applicable LIBOR margin (for a total rate of 1.44% at December 31, 2015) on LIBOR loans or a base rate plus an applicable margin (for a total rate of 3.70% at December 31, 2015) on base rate and swing line loans for each interest period. The issuing fees for all letters of credit were also based on an applicable margin. The applicable margin used in connection with interest rates and fees was based on Old Waste Connections’ consolidated leverage ratio. The applicable margin for LIBOR rate loans and letter of credit fees was 1.20% at December 31, 2015 and the applicable margin for base rate loans and swing line loans was 0.50% at December 31, 2015. As of December 31, 2015, \$385,000 of the borrowings outstanding under the revolver were in LIBOR loans and \$5,000 of the borrowings outstanding under the revolver were in swing line loans.

Outstanding amounts on the term loan could be either base rate loans or LIBOR loans. At December 31, 2015, all amounts outstanding under the term loan were in LIBOR loans which bore interest at the LIBOR rate plus the applicable LIBOR margin (for a total rate of 1.44% at December 31, 2015). The applicable margin was based on Old Waste Connections’ consolidated leverage ratio. The applicable margin for LIBOR rate loans was 1.20% at December 31, 2015.

Old Waste Connections paid a fee based on its consolidated leverage ratio on the actual daily unused amount of the aggregate revolving commitments (0.15% as of December 31, 2015).

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

***2016 Master Note Purchase Agreement***

As described above, on June 1, 2016, the Company entered into the 2016 NPA pursuant to which the Company issued and sold to the investors \$750,000 aggregate principal amount of senior unsecured notes consisting of (i) \$150,000 of 2.39% series 2016 senior notes, tranche A due June 1, 2021 (the “New 2021 Notes”), (ii) \$200,000 of 2.75% series 2016 senior notes, tranche B due June 1, 2023 (the “2023 Notes”) and (iii) \$400,000 of 3.03% series 2016 senior notes, tranche C due June 1, 2026 (the “2026 Notes”) (collectively, the “2016 Senior Notes”) in a private placement. The 2016 Senior Notes bear interest at fixed rates with interest payable in arrears semi-annually on the first day of June and December, commencing on December 1, 2016, and on the respective maturity dates, until the principal thereunder becomes due and payable. The Company is amortizing the \$5,319 of debt issuance costs through the maturity dates of the respective notes.

Under the terms and conditions of the 2016 NPA, the Company is authorized to issue and sell notes in the aggregate principal amount of \$1,500,000, inclusive of the outstanding \$750,000 aggregate principal amount of 2016 Senior Notes issued and sold by the Company on June 1, 2016, provided that the purchasers of the 2016 Senior Notes shall not have any obligation to purchase any additional notes issued pursuant to the 2016 NPA.

The 2016 Senior Notes are unsecured obligations and rank *pari passu* with obligations under the Credit Agreement and the 2008 Notes (defined below). Certain subsidiaries of the Company have executed a subsidiary guaranty in relation to the Company’s obligations under the 2016 NPA.

The 2016 Senior Notes are subject to representations, warranties, covenants and events of default customary for a private placement of senior unsecured notes. Upon the occurrence of an event of default, payment of the 2016 Senior Notes may be accelerated by the holders of the 2016 Senior Notes. The 2016 Senior Notes may also be prepaid by the Company at any time at par plus a make whole amount determined by the amount of the excess, if any, to the discounted value of the remaining scheduled payments with respect to the called principal of such 2016 Senior Notes minus the amount of such called principal, provided that the make whole shall in no event be less than zero. The discounted value is determined using market-based discount rates. In addition, the Company will be required to offer to prepay the 2016 Senior Notes upon certain changes in control. The 2016 NPA also contemplates certain offers of prepayments for specified tax reasons or certain noteholder sanctions events. As of September 30, 2016, the Company was in compliance with all applicable covenants in the 2016 NPA.

***2008 Master Note Purchase Agreement***

On June 1, 2016, prior to the closing of the Progressive Waste acquisition, Old Waste Connections, certain subsidiaries of Old Waste Connections (together with Old Waste Connections, the “Obligors”) and certain holders of the 2008 Notes (defined below) entered into that certain Amendment No. 6 (the “Sixth Amendment”) to that certain Master Note Purchase Agreement, dated July 15, 2008 (the “2008 NPA”), as amended by Amendment No. 1 to the 2008 NPA dated as of July 20, 2009 (the “First Amendment”), as supplemented by First Supplement to the 2008 NPA dated as of October 26, 2009 (the “First Supplement”), as amended by Amendment No. 2 to the 2008 NPA dated as of November 24, 2010 (the “Second Amendment”), as supplemented by Second Supplement to the 2008 NPA dated as of April 1, 2011 (the “Second Supplement”), as amended by Amendment No. 3 to the 2008 NPA dated as of October 12, 2011 (the “Third Amendment”), as amended by Amendment No. 4 to the 2008 NPA dated as of August 9, 2013 (the “Fourth Amendment”), as amended by Amendment No. 5 to the 2008 NPA dated as of February 20, 2015 (the “Fifth Amendment”), and as supplemented by Third Supplement to the 2008 NPA dated as of June 11, 2015 (the “Third Supplement”) (the 2008 NPA, as so amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to June 1, 2016, the “Amended 2008 NPA”). The Sixth Amendment, among other things, provides certain amendments to the Amended 2008 NPA to facilitate (i) the Progressive Waste acquisition and related transactions contemplated thereunder, (ii) the Company’s assumption of the Obligors’ obligations under the Assumed 2008 NPA (defined below) pursuant to the Assumption Agreement (defined below) upon the consummation of the Progressive Waste acquisition, (iii) the release of and/or reconstitution of obligations as a guaranty for certain Obligors, and (iv) additional amendments to the Amended 2008 NPA (beyond those in the Sixth Amendment) which were effective upon the Company’s assumption of the Obligor’s obligations under the Assumed 2008 NPA pursuant to the Assumption Agreement.

On June 1, 2016, following the closing of the Progressive Waste acquisition, the Company entered into that certain Assumption and Exchange Agreement (as amended, restated, amended and restated, supplemented or modified from time to time, the “Assumption Agreement”) with Old Waste Connections, to and in favor of the holders of the notes issued from time to time under the Amended 2008 NPA as further amended by the Sixth Amendment (the Amended 2008 NPA as amended by the Sixth Amendment and as further modified by the Assumption Agreement, the “Assumed 2008 NPA”).

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Pursuant to the terms and conditions of the Assumed 2008 NPA, the Company has \$825,000 of outstanding senior unsecured notes (the “2008 Notes”) at September 30, 2016 consisting of (i) \$175,000 of 5.25% senior notes due 2019 (the “2019 Notes”), (ii) \$50,000 of 4.00% senior notes due 2018 (the “2018 Notes”), (iii) \$100,000 of 4.64% senior notes due 2021 (the “2021 Notes”), (iv) \$125,000 of 3.09% senior notes due 2022 (the “2022 Notes”) and (v) \$375,000 of 3.41% senior notes due 2025 (the “2025 Notes”), in each case, that were sold previously in a private placement.

Under the terms and conditions of the Assumed 2008 NPA, the Company is authorized to issue and sell notes in the aggregate principal amount of \$1,250,000, inclusive of the outstanding \$825,000 aggregate principal amount of 2008 Notes assumed by the Company on June 1, 2016, provided that the purchasers of the 2008 Notes shall not have any obligation to purchase any additional notes issued pursuant to the Assumed 2008 NPA.

The 2008 Notes are unsecured obligations and rank *pari passu* with obligations under the Credit Agreement and the 2016 Senior Notes. Certain subsidiaries of the Company have executed a subsidiary guaranty in relation to the Company’s obligations under the Assumed 2008 NPA. The subsidiaries executing a guaranty in relation to the Assumed 2008 NPA are the same set of subsidiaries that executed a guaranty in relation to the 2016 NPA and the same set of subsidiaries that are guarantors under the Credit Agreement.

The 2008 Notes are subject to representations, warranties, covenants and events of default customary for a private placement of senior unsecured notes. Upon the occurrence of an event of default, payment of the 2008 Notes may be accelerated by the holders of the 2008 Notes. The 2008 Notes may also be prepaid by the Company at any time at par plus a make whole amount determined in respect of the remaining scheduled payments on the 2008 Notes, using a market-based discount rate. In addition, the Company will be required to offer to prepay the 2008 Notes upon certain changes in control; however, no such prepayment offer was accepted in connection with the Progressive Waste acquisition. The Assumed 2008 NPA also contemplates certain offers of prepayments for specified tax reasons or certain noteholder sanctions events. As of September 30, 2016, the Company was in compliance with all applicable covenants in the 2008 NPA.

#### **2016 Notes**

Old Waste Connections fully redeemed the 2016 Notes on April 1, 2016, using borrowings under the 2015 Old Waste Connections Credit Agreement.

### **9. SEGMENT REPORTING**

The Company’s revenues are generated from the collection, transfer, recycling and disposal of non-hazardous solid waste and the treatment, recovery and disposal of non-hazardous E&P waste. No single contract or customer accounted for more than 10% of the Company’s total revenues at the consolidated or reportable segment level during the periods presented.

The Company manages its operations through five geographic operating segments and its E&P segment, which includes the majority of the Company’s E&P waste treatment and disposal operations. The Company’s five geographic operating segments and its E&P segment comprise the Company’s reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. In June 2016, as a result of the Progressive Waste acquisition, described in Note 6, the Company formed two new geographic operating segments, Canada and Southern, and realigned its reporting structure at its existing Central and Eastern segments. The Company’s segment realignment consisted of the transfer of certain operations in Texas and Louisiana from its Central segment to its Southern segment and the transfer of certain operations in Tennessee, Mississippi and Alabama from its Eastern segment to its Southern segment. The Progressive Waste acquisition did not impact the Company’s Western or E&P segments. The segment information presented herein reflects the realignment of these districts.

Under the current orientation, the Company’s Southern segment services customers located in Alabama, Arkansas, Florida, Louisiana, Mississippi, southern Oklahoma, western Tennessee and Texas; the Company’s Western segment services customers located in Alaska, California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; the Company’s Eastern segment services customers located in Illinois, Iowa, Kentucky, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, eastern Tennessee, Vermont, Virginia, Wisconsin and the District of Columbia; the Company’s Canada segment services customers located in the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan; and the Company’s Central segment services customers located in Arizona, Colorado, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, western Texas, Utah and eastern Wyoming. The E&P segment services E&P customers located in Arkansas, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, Wyoming and along the Gulf of Mexico.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The Company's Chief Operating Decision Maker ("CODM") evaluates operating segment profitability and determines resource allocations based on several factors, of which the primary financial measure is segment EBITDA. The Company defines segment EBITDA as earnings before interest, taxes, depreciation, amortization, impairments and other operating items, other income (expense) and foreign currency transaction gain (loss). Segment EBITDA 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 segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments. A reconciliation of segment EBITDA to Income before income tax provision is included at the end of this Note 9.

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2016 and 2015, is shown in the following tables:

| <b>Three Months<br/>Ended<br/>September 30,<br/>2016</b> | <b>Revenue</b>      | <b>Intercompany<br/>Revenue<sup>(b)</sup></b> | <b>Reported<br/>Revenue</b> | <b>Segment EBITDA<sup>(c)</sup></b> |
|----------------------------------------------------------|---------------------|-----------------------------------------------|-----------------------------|-------------------------------------|
| Southern                                                 | \$ 317,727          | \$ (37,818)                                   | \$ 279,909                  | \$ 62,189                           |
| Western                                                  | 276,941             | (30,050)                                      | 246,891                     | 84,214                              |
| Eastern                                                  | 229,525             | (34,719)                                      | 194,806                     | 59,019                              |
| Canada                                                   | 204,158             | (26,413)                                      | 177,745                     | 64,915                              |
| Central                                                  | 176,109             | (20,842)                                      | 155,267                     | 58,079                              |
| E&P                                                      | 33,785              | (3,481)                                       | 30,304                      | 8,919                               |
| Corporate <sup>(a)</sup>                                 | -                   | -                                             | -                           | (18,299)                            |
|                                                          | <u>\$ 1,238,245</u> | <u>\$ (153,323)</u>                           | <u>\$ 1,084,922</u>         | <u>\$ 319,036</u>                   |

| <b>Three Months<br/>Ended<br/>September 30,<br/>2015</b> | <b>Revenue</b>    | <b>Intercompany<br/>Revenue<sup>(b)</sup></b> | <b>Reported<br/>Revenue</b> | <b>Segment EBITDA<sup>(c)</sup></b> |
|----------------------------------------------------------|-------------------|-----------------------------------------------|-----------------------------|-------------------------------------|
| Southern                                                 | \$ 43,442         | \$ (5,954)                                    | \$ 37,488                   | \$ 9,730                            |
| Western                                                  | 257,480           | (27,026)                                      | 230,454                     | 76,279                              |
| Eastern                                                  | 113,150           | (19,157)                                      | 93,993                      | 30,641                              |
| Central                                                  | 150,211           | (16,101)                                      | 134,110                     | 50,564                              |
| E&P                                                      | 54,901            | (3,008)                                       | 51,893                      | 17,541                              |
| Corporate <sup>(a)</sup>                                 | -                 | -                                             | -                           | 2,474                               |
|                                                          | <u>\$ 619,184</u> | <u>\$ (71,246)</u>                            | <u>\$ 547,938</u>           | <u>\$ 187,229</u>                   |

| <b>Nine Months<br/>Ended<br/>September 30,<br/>2016</b> | <b>Revenue</b>      | <b>Intercompany<br/>Revenue<sup>(b)</sup></b> | <b>Reported<br/>Revenue</b> | <b>Segment EBITDA<sup>(c)</sup></b> |
|---------------------------------------------------------|---------------------|-----------------------------------------------|-----------------------------|-------------------------------------|
| Southern                                                | \$ 497,863          | \$ (60,485)                                   | \$ 437,378                  | \$ 98,906                           |
| Western                                                 | 789,716             | (87,160)                                      | 702,556                     | 237,839                             |
| Eastern                                                 | 526,565             | (81,379)                                      | 445,186                     | 138,456                             |
| Canada                                                  | 274,260             | (35,931)                                      | 238,329                     | 88,471                              |
| Central                                                 | 468,004             | (53,130)                                      | 414,874                     | 154,510                             |
| E&P                                                     | 97,883              | (8,965)                                       | 88,918                      | 21,953                              |
| Corporate <sup>(a)</sup>                                | -                   | -                                             | -                           | (102,653)                           |
|                                                         | <u>\$ 2,654,291</u> | <u>\$ (327,050)</u>                           | <u>\$ 2,327,241</u>         | <u>\$ 637,482</u>                   |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

| Nine Months<br>Ended<br>September 30,<br>2015 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment EBITDA <sup>(c)</sup> |
|-----------------------------------------------|---------------------|----------------------------------------|---------------------|-------------------------------|
| Southern                                      | \$ 125,597          | \$ (17,614)                            | \$ 107,983          | \$ 26,715                     |
| Western                                       | 734,729             | (76,261)                               | 658,468             | 218,185                       |
| Eastern                                       | 325,788             | (54,488)                               | 271,300             | 87,134                        |
| Central                                       | 419,875             | (44,342)                               | 375,533             | 138,779                       |
| E&P                                           | 181,530             | (9,464)                                | 172,066             | 55,003                        |
| Corporate <sup>(a)</sup>                      | -                   | -                                      | -                   | 4,856                         |
|                                               | <u>\$ 1,787,519</u> | <u>\$ (202,169)</u>                    | <u>\$ 1,585,350</u> | <u>\$ 530,672</u>             |

- (a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other administrative functions. Amounts reflected are net of allocations to the six operating segments. For the three and nine months ended September 30, 2016, amounts also include costs associated with the Progressive Waste acquisition.
- (b) Intercompany revenues reflect each segment's total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.
- (c) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in Old Waste Connections' most recent Annual Report on Form 10-K, with the exception of foreign currency transaction gains (losses) for which the accounting policy is described in Note 2 in these Condensed Consolidated Financial Statements.

Total assets for each of the Company's reportable segments at September 30, 2016 and December 31, 2015, were as follows:

|              | September 30,<br>2016 | December 31,<br>2015 |
|--------------|-----------------------|----------------------|
| Southern     | \$ 2,867,903          | \$ 259,046           |
| Western      | 1,504,750             | 1,498,296            |
| Eastern      | 1,542,612             | 1,062,761            |
| Canada       | 2,618,008             | -                    |
| Central      | 1,296,360             | 1,070,505            |
| E&P          | 1,072,818             | 1,115,234            |
| Corporate    | 285,242               | 115,956              |
| Total Assets | <u>\$ 11,187,693</u>  | <u>\$ 5,121,798</u>  |

The following tables show changes in goodwill during the nine months ended September 30, 2016 and 2015, by reportable segment:

|                                       | Southern            | Western           | Eastern           | Canada              | Central           | E&P              | Total               |
|---------------------------------------|---------------------|-------------------|-------------------|---------------------|-------------------|------------------|---------------------|
| Balance as of December 31, 2015       | \$ -                | \$ 373,820        | \$ 499,237        | \$ -                | \$ 472,425        | \$ 77,343        | \$ 1,422,825        |
| Goodwill transferred <sup>(a)</sup>   | 95,710              | -                 | (39,705)          | -                   | (56,005)          | -                | -                   |
| Goodwill acquired                     | 1,338,806           | 2,696             | 75,769            | 1,465,720           | 48,232            | -                | 2,931,223           |
| Impact of changes in foreign currency | -                   | -                 | -                 | (2,878)             | -                 | -                | (2,878)             |
| Balance as of September 30, 2016      | <u>\$ 1,434,516</u> | <u>\$ 376,516</u> | <u>\$ 535,301</u> | <u>\$ 1,462,842</u> | <u>\$ 464,652</u> | <u>\$ 77,343</u> | <u>\$ 4,351,170</u> |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

|                                     | <b>Southern</b>  | <b>Western</b>    | <b>Eastern</b>    | <b>Central</b>    | <b>E&amp;P</b>   | <b>Total</b>        |
|-------------------------------------|------------------|-------------------|-------------------|-------------------|------------------|---------------------|
| Balance as of December 31, 2014     | \$ -             | \$ 372,915        | \$ 392,423        | \$ 460,381        | \$ 468,070       | \$ 1,693,789        |
| Goodwill transferred <sup>(a)</sup> | 92,510           | -                 | (55,206)          | (37,304)          | -                | -                   |
| Goodwill acquired                   | 3,341            | 870               | 6,855             | 5,842             | 21,059           | 37,967              |
| Impairment loss                     | -                | -                 | -                 | -                 | (411,786)        | (411,786)           |
| Balance as of September 30, 2015    | <u>\$ 95,851</u> | <u>\$ 373,785</u> | <u>\$ 344,072</u> | <u>\$ 428,919</u> | <u>\$ 77,343</u> | <u>\$ 1,319,970</u> |

(a) In June 2016, as a result of the Progressive Waste acquisition, described in Note 6, the Company realigned its reporting structure and changed its three geographic operating segments (Western, Central and Eastern) to five geographic operating segments (Southern, Western, Eastern, Canada and Central). Additionally, the Company realigned certain of the Company's districts between operating segments. This realignment resulted in the reallocation of goodwill among its segments, which is reflected in the "Goodwill transferred" line item.

A reconciliation of the Company's primary measure of segment profitability (segment EBITDA) to Income before income tax provision in the Condensed Consolidated Statements of Net Income is as follows:

|                                           | <b>Three months ended<br/>September 30,</b> |                     | <b>Nine months ended<br/>September 30,</b> |                     |
|-------------------------------------------|---------------------------------------------|---------------------|--------------------------------------------|---------------------|
|                                           | <b>2016</b>                                 | <b>2015</b>         | <b>2016</b>                                | <b>2015</b>         |
| Southern segment EBITDA                   | \$ 62,189                                   | \$ 9,730            | \$ 98,906                                  | \$ 26,715           |
| Western segment EBITDA                    | 84,214                                      | 76,279              | 237,839                                    | 218,185             |
| Eastern segment EBITDA                    | 59,019                                      | 30,641              | 138,456                                    | 87,134              |
| Canada segment EBITDA                     | 64,915                                      | -                   | 88,471                                     | -                   |
| Central segment EBITDA                    | 58,079                                      | 50,564              | 154,510                                    | 138,779             |
| E&P segment EBITDA                        | 8,919                                       | 17,541              | 21,953                                     | 55,003              |
| Subtotal reportable segments              | 337,335                                     | 184,755             | 740,135                                    | 525,816             |
| Unallocated corporate overhead            | (18,299)                                    | 2,474               | (102,653)                                  | 4,856               |
| Depreciation                              | (125,744)                                   | (61,373)            | (270,988)                                  | (178,318)           |
| Amortization of intangibles               | (26,944)                                    | (7,195)             | (48,719)                                   | (21,458)            |
| Impairments and other operating items     | (7,682)                                     | (493,813)           | (4,634)                                    | (494,158)           |
| Interest expense                          | (27,621)                                    | (16,367)            | (65,291)                                   | (47,386)            |
| Other income (expense), net               | 671                                         | (1,303)             | 179                                        | (1,430)             |
| Foreign currency transaction gain (loss)  | (350)                                       | -                   | 339                                        | -                   |
| Income (loss) before income tax provision | <u>\$ 131,366</u>                           | <u>\$ (392,822)</u> | <u>\$ 248,368</u>                          | <u>\$ (212,078)</u> |

Unallocated corporate overhead for the nine months ended September 30, 2016, includes \$31,588 of direct acquisition costs associated with the Progressive Waste acquisition, \$24,245 of severance-related expenses payable to personnel of Progressive Waste, \$5,300 synergy bonus to certain executive officers and key employees, \$14,466 from the Company paying excise taxes levied on the unvested or vested and undistributed equity-compensation holdings of the Company's corporate officers and members of its Board of Directors resulting from the Progressive Waste acquisition and \$17,806 of equity-based compensation expenses associated with Progressive Waste's equity-based compensation plans assumed by the Company.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The following tables reflect a breakdown of the Company's revenue and inter-company eliminations for the periods indicated:

| <b>Three months ended September 30, 2016</b> |                     |                             |                         |                              |
|----------------------------------------------|---------------------|-----------------------------|-------------------------|------------------------------|
|                                              | <b>Revenue</b>      | <b>Intercompany Revenue</b> | <b>Reported Revenue</b> | <b>% of Reported Revenue</b> |
| Solid waste collection                       | \$ 760,281          | \$ (2,472)                  | \$ 757,809              | 69.9%                        |
| Solid waste disposal and transfer            | 377,998             | (144,459)                   | 233,539                 | 21.5                         |
| Solid waste recycling                        | 32,138              | (2,523)                     | 29,615                  | 2.7                          |
| E&P waste treatment, recovery and disposal   | 33,673              | (3,608)                     | 30,065                  | 2.8                          |
| Intermodal and other                         | 34,155              | (261)                       | 33,894                  | 3.1                          |
| Total                                        | <u>\$ 1,238,245</u> | <u>\$ (153,323)</u>         | <u>\$ 1,084,922</u>     | <u>100.0%</u>                |

| <b>Three months ended September 30, 2015</b> |                   |                             |                         |                              |
|----------------------------------------------|-------------------|-----------------------------|-------------------------|------------------------------|
|                                              | <b>Revenue</b>    | <b>Intercompany Revenue</b> | <b>Reported Revenue</b> | <b>% of Reported Revenue</b> |
| Solid waste collection                       | \$ 354,490        | \$ (1,250)                  | \$ 353,240              | 64.5%                        |
| Solid waste disposal and transfer            | 180,442           | (66,322)                    | 114,120                 | 20.8                         |
| Solid waste recycling                        | 12,213            | (155)                       | 12,058                  | 2.2                          |
| E&P waste treatment, recovery and disposal   | 54,695            | (3,519)                     | 51,176                  | 9.3                          |
| Intermodal and other                         | 17,344            | -                           | 17,344                  | 3.2                          |
| Total                                        | <u>\$ 619,184</u> | <u>\$ (71,246)</u>          | <u>\$ 547,938</u>       | <u>100.0%</u>                |

| <b>Nine months ended September 30, 2016</b> |                     |                             |                         |                              |
|---------------------------------------------|---------------------|-----------------------------|-------------------------|------------------------------|
|                                             | <b>Revenue</b>      | <b>Intercompany Revenue</b> | <b>Reported Revenue</b> | <b>% of Reported Revenue</b> |
| Solid waste collection                      | \$ 1,619,827        | \$ (5,571)                  | \$ 1,614,256            | 69.4%                        |
| Solid waste disposal and transfer           | 804,928             | (307,308)                   | 497,620                 | 21.4                         |
| Solid waste recycling                       | 60,876              | (4,554)                     | 56,322                  | 2.4                          |
| E&P waste treatment, recovery and disposal  | 97,259              | (9,228)                     | 88,031                  | 3.8                          |
| Intermodal and other                        | 71,401              | (389)                       | 71,012                  | 3.0                          |
| Total                                       | <u>\$ 2,654,291</u> | <u>\$ (327,050)</u>         | <u>\$ 2,327,241</u>     | <u>100.0%</u>                |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

|                                            | Nine months ended September 30, 2015 |                      |                     |                       |
|--------------------------------------------|--------------------------------------|----------------------|---------------------|-----------------------|
|                                            | Revenue                              | Intercompany Revenue | Reported Revenue    | % of Reported Revenue |
| Solid waste collection                     | \$ 1,024,078                         | \$ (3,150)           | \$ 1,020,928        | 64.4%                 |
| Solid waste disposal and transfer          | 494,804                              | (187,486)            | 307,318             | 19.4                  |
| Solid waste recycling                      | 35,614                               | (654)                | 34,960              | 2.2                   |
| E&P waste treatment, recovery and disposal | 183,103                              | (10,879)             | 172,224             | 10.9                  |
| Intermodal and other                       | 49,920                               | -                    | 49,920              | 3.1                   |
| Total                                      | <u>\$ 1,787,519</u>                  | <u>\$ (202,169)</u>  | <u>\$ 1,585,350</u> | <u>100.0%</u>         |

#### 10. DERIVATIVE FINANCIAL INSTRUMENTS

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

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings issued under its Credit Agreement. The Company's strategy to achieve that objective involves entering into interest rate swaps. The interest rate swaps outstanding at September 30, 2016 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

At September 30, 2016, the Company's derivative instruments included 12 interest rate swap agreements as follows:

| Date Entered  | Notional Amount | Fixed Interest Rate Paid* | Variable Interest Rate Received | Effective Date | Expiration Date |
|---------------|-----------------|---------------------------|---------------------------------|----------------|-----------------|
| December 2011 | \$ 175,000      | 1.600%                    | 1-month LIBOR                   | February 2014  | February 2017   |
| April 2014    | \$ 100,000      | 1.800%                    | 1-month LIBOR                   | July 2014      | July 2019       |
| May 2014      | \$ 50,000       | 2.344%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| May 2014      | \$ 25,000       | 2.326%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| May 2014      | \$ 50,000       | 2.350%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| May 2014      | \$ 50,000       | 2.350%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| April 2016    | \$ 100,000      | 1.000%                    | 1-month LIBOR                   | February 2017  | February 2020   |
| June 2016     | \$ 75,000       | 0.850%                    | 1-month LIBOR                   | February 2017  | February 2020   |
| June 2016     | \$ 150,000      | 0.950%                    | 1-month LIBOR                   | January 2018   | January 2021    |
| June 2016     | \$ 150,000      | 0.950%                    | 1-month LIBOR                   | January 2018   | January 2021    |
| July 2016     | \$ 50,000       | 0.900%                    | 1-month LIBOR                   | January 2018   | January 2021    |
| July 2016     | \$ 50,000       | 0.890%                    | 1-month LIBOR                   | January 2018   | January 2021    |

\* Plus applicable margin.

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

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

At September 30, 2016, the Company's derivative instruments included four fuel hedge agreements as follows:

| Date Entered | Notional Amount<br>(in gallons per month) | Diesel Rate Paid<br>Fixed<br>(per gallon) | Diesel Rate Received<br>Variable | Effective Date | Expiration Date |
|--------------|-------------------------------------------|-------------------------------------------|----------------------------------|----------------|-----------------|
| May 2015     | 300,000                                   | \$ 3.2800                                 | DOE Diesel Fuel Index*           | January 2016   | December 2017   |
| May 2015     | 200,000                                   | \$ 3.2750                                 | DOE Diesel Fuel Index*           | January 2016   | December 2017   |
| July 2016    | 500,000                                   | \$ 2.4988                                 | DOE Diesel Fuel Index*           | January 2017   | December 2017   |
| July 2016    | 1,000,000                                 | \$ 2.6345                                 | DOE Diesel Fuel Index*           | January 2018   | December 2018   |

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

The fair values of derivative instruments designated as cash flow hedges as of September 30, 2016, were as follows:

| Derivatives Designated as Cash<br>Flow Hedges    | Asset Derivatives      |              | Liability Derivatives              |                    |
|--------------------------------------------------|------------------------|--------------|------------------------------------|--------------------|
|                                                  | Balance Sheet Location | Fair Value   | Balance Sheet Location             | Fair Value         |
| Interest rate swaps                              |                        | \$ -         | Accrued liabilities <sup>(a)</sup> | \$ (4,636)         |
|                                                  |                        |              | Other long-term liabilities        | (7,009)            |
| Fuel hedges                                      | Other assets, net      | 12           | Accrued liabilities <sup>(b)</sup> | (3,953)            |
| Total derivatives designated as cash flow hedges |                        | <u>\$ 12</u> |                                    | <u>\$ (15,598)</u> |

(a) Represents the estimated amount of the existing unrealized losses on interest rate swaps as of September 30, 2016 (based on the interest rate yield curve at that date), included in AOCL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

(b) Represents the estimated amount of the existing unrealized losses on fuel hedges as of September 30, 2016 (based on the forward DOE diesel fuel index curve at that date), included in AOCL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in diesel fuel prices.

The fair values of derivative instruments designated as cash flow hedges as of December 31, 2015, were as follows:

| Derivatives Designated as Cash<br>Flow Hedges    | Asset Derivatives      |             | Liability Derivatives       |                    |
|--------------------------------------------------|------------------------|-------------|-----------------------------|--------------------|
|                                                  | Balance Sheet Location | Fair Value  | Balance Sheet Location      | Fair Value         |
| Interest rate swaps                              |                        | \$ -        | Accrued liabilities         | \$ (5,425)         |
|                                                  |                        |             | Other long-term liabilities | (4,320)            |
| Fuel hedges                                      |                        | -           | Accrued liabilities         | (5,699)            |
|                                                  |                        |             | Other long-term liabilities | (4,201)            |
| Total derivatives designated as cash flow hedges |                        | <u>\$ -</u> |                             | <u>\$ (19,645)</u> |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The following table summarizes the impact of the Company's cash flow hedges on the results of operations, comprehensive income (loss) and AOCL for the three and nine months ended September 30, 2016 and 2015:

| Derivatives<br>Designated as Cash<br>Flow Hedges | Amount of Gain or (Loss)<br>Recognized as AOCL on<br>Derivatives,<br>Net of Tax (Effective Portion) <sup>(a)</sup> |            | Statement of<br>Net Income<br>Classification | Amount of (Gain) or Loss<br>Reclassified from AOCL into<br>Earnings, Net of Tax (Effective<br>Portion) <sup>(b),(c)</sup> |          |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------|
|                                                  | Three Months Ended<br>September 30,                                                                                |            |                                              | Three Months Ended<br>September 30,                                                                                       |          |
|                                                  | 2016                                                                                                               | 2015       |                                              | 2016                                                                                                                      | 2015     |
| Interest rate swaps                              | \$ 2,598                                                                                                           | \$ (3,786) | Interest expense                             | \$ 1,234                                                                                                                  | \$ 645   |
| Fuel hedges                                      | 630                                                                                                                | (3,039)    | Cost of operations                           | 830                                                                                                                       | 541      |
| Total                                            | \$ 3,228                                                                                                           | \$ (6,825) |                                              | \$ 2,064                                                                                                                  | \$ 1,186 |

| Derivatives<br>Designated as Cash<br>Flow Hedges | Amount of Gain or (Loss)<br>Recognized as AOCL on<br>Derivatives,<br>Net of Tax (Effective Portion) <sup>(a)</sup> |             | Statement of<br>Net Income<br>Classification | Amount of (Gain) or Loss<br>Reclassified from AOCL into<br>Earnings, Net of Tax (Effective<br>Portion) <sup>(b),(c)</sup> |          |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------|
|                                                  | Nine Months Ended<br>September 30,                                                                                 |             |                                              | Nine Months Ended<br>September 30,                                                                                        |          |
|                                                  | 2016                                                                                                               | 2015        |                                              | 2016                                                                                                                      | 2015     |
| Interest rate swaps                              | \$ (3,896)                                                                                                         | \$ (6,528)  | Interest expense                             | \$ 3,338                                                                                                                  | \$ 1,929 |
| Fuel hedges                                      | 841                                                                                                                | (4,385)     | Cost of operations                           | 2,855                                                                                                                     | 1,341    |
| Total                                            | \$ (3,055)                                                                                                         | \$ (10,913) |                                              | \$ 6,193                                                                                                                  | \$ 3,270 |

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

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

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

The Company measures and records ineffectiveness on the fuel hedges in Cost of operations in the Condensed Consolidated Statements of Net Income on a monthly basis based on the difference between the DOE index price and the actual price of diesel fuel purchased, multiplied by the notional number of gallons on the contracts. There was no significant ineffectiveness recognized on the fuel hedges during the nine months ended September 30, 2016 and 2015.

See Note 14 for further discussion on the impact of the Company's hedge accounting to its consolidated comprehensive income (loss) and AOCL.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's financial instruments consist primarily of cash and equivalents, trade receivables, restricted assets, trade payables, debt instruments, contingent consideration obligations, interest rate swaps and fuel hedges. As of September 30, 2016 and December 31, 2015, the carrying values of cash and equivalents, trade receivables, restricted assets, trade payables and contingent consideration are considered to be representative of their respective fair values. The carrying values of the Company's debt instruments, excluding certain notes as listed in the table below, approximate their fair values as of September 30, 2016 and December 31, 2015, based on current borrowing rates, current remaining average life to maturity and borrower credit quality for similar types of borrowing arrangements, and are classified as Level 2 within the fair value hierarchy. The carrying values and fair values of the Company's debt instruments where the carrying values do not approximate their fair values as of September 30, 2016 and December 31, 2015, are as follows:

|                             | Carrying Value at     |                      | Fair Value* at        |                      |
|-----------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                             | September 30,<br>2016 | December 31,<br>2015 | September 30,<br>2016 | December 31,<br>2015 |
| 3.30% Senior Notes due 2016 | \$ -                  | \$ 100,000           | \$ -                  | \$ 100,536           |
| 4.00% Senior Notes due 2018 | \$ 50,000             | \$ 50,000            | \$ 52,061             | \$ 51,860            |
| 5.25% Senior Notes due 2019 | \$ 175,000            | \$ 175,000           | \$ 193,707            | \$ 190,985           |
| 4.64% Senior Notes due 2021 | \$ 100,000            | \$ 100,000           | \$ 109,906            | \$ 107,613           |
| 2.39% Senior Notes due 2021 | \$ 150,000            | \$ -                 | \$ 150,372            | \$ -                 |
| 3.09% Senior Notes due 2022 | \$ 125,000            | \$ 125,000           | \$ 129,017            | \$ 123,516           |
| 2.75% Senior Notes due 2023 | \$ 200,000            | \$ -                 | \$ 201,146            | \$ -                 |
| 3.41% Senior Notes due 2025 | \$ 375,000            | \$ 375,000           | \$ 392,507            | \$ 370,245           |
| 3.03% Senior Notes due 2026 | \$ 400,000            | \$ -                 | \$ 405,719            | \$ -                 |

\*Senior Notes are classified as Level 2 within the fair value hierarchy. Fair value is based on quotes of bonds with similar ratings in similar industries.

For details on the fair value of the Company's interest rate swaps, fuel hedges, restricted assets and contingent consideration, refer to Note 13.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

**12. NET INCOME (LOSS) PER SHARE INFORMATION**

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income (loss) per common share attributable to the Company's shareholders for the three and nine months ended September 30, 2016 and 2015:

|                                                                                              | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |              |
|----------------------------------------------------------------------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                                                                              | 2016                                | 2015         | 2016                               | 2015         |
| <b>Numerator:</b>                                                                            |                                     |              |                                    |              |
| Net income (loss) attributable to Waste Connections for basic and diluted earnings per share | \$ 88,617                           | \$ (257,009) | \$ 160,948                         | \$ (147,825) |
| <b>Denominator:</b>                                                                          |                                     |              |                                    |              |
| Basic shares outstanding                                                                     | 175,336,967                         | 123,269,902  | 146,214,552                        | 123,783,217  |
| Dilutive effect of options and warrants                                                      | 39,006                              | -            | 34,896                             | -            |
| Dilutive effect of restricted share units                                                    | 390,786                             | -            | 460,332                            | -            |
| Diluted shares outstanding                                                                   | 175,766,759                         | 123,269,902  | 146,709,780                        | 123,783,217  |

**13. FAIR VALUE MEASUREMENTS**

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

The Company's financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments and restricted assets. The Company's derivative instruments are pay-fixed, receive-variable interest rate swaps and pay-fixed, receive-variable diesel fuel hedges. The Company's interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. The Company uses a discounted cash flow ("DCF") model to determine the estimated fair value of the diesel fuel hedges. The assumptions used in preparing the DCF model include: (i) estimates for the forward DOE index curve; and (ii) the discount rate based on risk-free interest rates over the term of the hedge contracts. The DOE index curve used in the DCF model was obtained from financial institutions that trade these contracts and ranged from \$2.45 to \$2.75 at September 30, 2016 and from \$2.21 to \$2.64 at December 31, 2015. The weighted average DOE index curve used in the DCF model was \$2.64 and \$2.43 at September 30, 2016 and December 31, 2015, respectively. Significant increases (decreases) in the forward DOE index curve would result in a significantly higher (lower) fair value measurement. For the Company's interest rate swaps and fuel hedges, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position and the counterparties' creditworthiness in its determination of the fair value measurement of these instruments in a net asset position. The Company's restricted assets are valued at quoted market prices in active markets for similar assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted assets measured at fair value are invested primarily in U.S. government and agency securities and Canadian bankers' acceptance notes.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2016 and December 31, 2015, were as follows:

| <b>Fair Value Measurement at September 30, 2016 Using</b>          |              |                                                                                       |                                                                      |                                                              |
|--------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|
|                                                                    | <b>Total</b> | <b>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| Interest rate swap derivative instruments – net liability position | \$ (11,645)  | \$ -                                                                                  | \$ (11,645)                                                          | \$ -                                                         |
| Fuel hedge derivative instruments – net liability position         | \$ (3,941)   | \$ -                                                                                  | \$ -                                                                 | \$ (3,941)                                                   |
| Restricted assets                                                  | \$ 56,946    | \$ -                                                                                  | \$ 56,946                                                            | \$ -                                                         |
| Contingent consideration                                           | \$ (51,689)  | \$ -                                                                                  | \$ -                                                                 | \$ (51,689)                                                  |

| <b>Fair Value Measurement at December 31, 2015 Using</b>           |              |                                                                                       |                                                                      |                                                              |
|--------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|
|                                                                    | <b>Total</b> | <b>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
| Interest rate swap derivative instruments – net liability position | \$ (9,745)   | \$ -                                                                                  | \$ (9,745)                                                           | \$ -                                                         |
| Fuel hedge derivative instrument – net liability position          | \$ (9,900)   | \$ -                                                                                  | \$ -                                                                 | \$ (9,900)                                                   |
| Restricted assets                                                  | \$ 46,148    | \$ -                                                                                  | \$ 46,148                                                            | \$ -                                                         |
| Contingent consideration                                           | \$ (49,394)  | \$ -                                                                                  | \$ -                                                                 | \$ (49,394)                                                  |

The following table summarizes the changes in the fair value for Level 3 derivatives for the nine months ended September 30, 2016 and 2015:

| <b>Nine Months Ended September 30,</b>     |                   |                   |
|--------------------------------------------|-------------------|-------------------|
|                                            | <b>2016</b>       | <b>2015</b>       |
| Beginning balance                          | \$ (9,900)        | \$ (1,979)        |
| Realized losses included in earnings       | 4,616             | 2,165             |
| Unrealized gains (losses) included in AOCL | 1,343             | (7,069)           |
| Ending balance                             | <u>\$ (3,941)</u> | <u>\$ (6,883)</u> |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the nine months ended September 30, 2016 and 2015:

|                                                                  | <b>Nine Months Ended September 30,</b> |                  |
|------------------------------------------------------------------|----------------------------------------|------------------|
|                                                                  | <b>2016</b>                            | <b>2015</b>      |
| Beginning balance                                                | \$ 49,394                              | \$ 70,165        |
| Contingent consideration recorded at acquisition date            | 16,247                                 | 515              |
| Payment of contingent consideration recorded at acquisition date | (12,105)                               | (190)            |
| Payment of contingent consideration recorded in earnings         | (413)                                  | -                |
| Adjustments to contingent consideration                          | (2,563)                                | (19,809)         |
| Interest accretion expense                                       | 1,129                                  | 2,428            |
| Ending balance                                                   | <u>\$ 51,689</u>                       | <u>\$ 53,109</u> |

**14. OTHER COMPREHENSIVE INCOME (LOSS)**

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps and fuel hedges that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three and nine month periods ended September 30, 2016 and 2015, are as follows:

|                                                               | <b>Three months ended September 30, 2016</b> |                   |                    |
|---------------------------------------------------------------|----------------------------------------------|-------------------|--------------------|
|                                                               | <b>Gross</b>                                 | <b>Tax effect</b> | <b>Net of tax</b>  |
| Interest rate swap amounts reclassified into interest expense | \$ 1,678                                     | \$ (444)          | \$ 1,234           |
| Fuel hedge amounts reclassified into cost of operations       | 1,342                                        | (512)             | 830                |
| Changes in fair value of interest rate swaps                  | 3,535                                        | (937)             | 2,598              |
| Changes in fair value of fuel hedges                          | 1,019                                        | (389)             | 630                |
| Foreign currency translation adjustment                       | (16,642)                                     | -                 | (16,642)           |
|                                                               | <u>\$ (9,068)</u>                            | <u>\$ (2,282)</u> | <u>\$ (11,350)</u> |

|                                                               | <b>Three months ended September 30, 2015</b> |                   |                   |
|---------------------------------------------------------------|----------------------------------------------|-------------------|-------------------|
|                                                               | <b>Gross</b>                                 | <b>Tax effect</b> | <b>Net of tax</b> |
| Interest rate swap amounts reclassified into interest expense | \$ 1,041                                     | \$ (396)          | \$ 645            |
| Fuel hedge amounts reclassified into cost of operations       | 874                                          | (333)             | 541               |
| Changes in fair value of interest rate swaps                  | (6,066)                                      | 2,280             | (3,786)           |
| Changes in fair value of fuel hedges                          | (4,891)                                      | 1,852             | (3,039)           |
|                                                               | <u>\$ (9,042)</u>                            | <u>\$ 3,403</u>   | <u>\$ (5,639)</u> |

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

|                                                               | Nine months ended September 30, 2016 |                 |                 |
|---------------------------------------------------------------|--------------------------------------|-----------------|-----------------|
|                                                               | Gross                                | Tax effect      | Net of tax      |
| Interest rate swap amounts reclassified into interest expense | \$ 5,081                             | \$ (1,743)      | \$ 3,338        |
| Fuel hedge amounts reclassified into cost of operations       | 4,616                                | (1,761)         | 2,855           |
| Changes in fair value of interest rate swaps                  | (6,980)                              | 3,084           | (3,896)         |
| Changes in fair value of fuel hedges                          | 1,343                                | (502)           | 841             |
| Foreign currency translation adjustment                       | (3,991)                              | -               | (3,991)         |
|                                                               | <u>\$ 69</u>                         | <u>\$ (922)</u> | <u>\$ (853)</u> |

|                                                               | Nine months ended September 30, 2015 |                 |                   |
|---------------------------------------------------------------|--------------------------------------|-----------------|-------------------|
|                                                               | Gross                                | Tax effect      | Net of tax        |
| Interest rate swap amounts reclassified into interest expense | \$ 3,114                             | \$ (1,185)      | \$ 1,929          |
| Fuel hedge amounts reclassified into cost of operations       | 2,165                                | (824)           | 1,341             |
| Changes in fair value of interest rate swaps                  | (10,503)                             | 3,975           | (6,528)           |
| Changes in fair value of fuel hedges                          | (7,069)                              | 2,684           | (4,385)           |
|                                                               | <u>\$ (12,293)</u>                   | <u>\$ 4,650</u> | <u>\$ (7,643)</u> |

A rollforward of the amounts included in AOCL, net of taxes, for the nine months ended September 30, 2016 and 2015, is as follows:

|                                         | Fuel Hedges       | Interest Rate Swaps | Foreign Currency Translation Adjustment | Accumulated Other Comprehensive Loss |
|-----------------------------------------|-------------------|---------------------|-----------------------------------------|--------------------------------------|
| Balance at December 31, 2015            | \$ (6,134)        | \$ (6,037)          | \$ -                                    | \$ (12,171)                          |
| Amounts reclassified into earnings      | 2,855             | 3,338               | -                                       | 6,193                                |
| Changes in fair value                   | 841               | (3,896)             | -                                       | (3,055)                              |
| Foreign currency translation adjustment | -                 | -                   | (3,991)                                 | (3,991)                              |
| Balance at September 30, 2016           | <u>\$ (2,438)</u> | <u>\$ (6,595)</u>   | <u>\$ (3,991)</u>                       | <u>\$ (13,024)</u>                   |

|                                    | Fuel Hedges       | Interest Rate Swaps | Accumulated Other Comprehensive Loss |
|------------------------------------|-------------------|---------------------|--------------------------------------|
| Balance at December 31, 2014       | \$ (1,221)        | \$ (4,372)          | \$ (5,593)                           |
| Amounts reclassified into earnings | 1,341             | 1,929               | 3,270                                |
| Changes in fair value              | (4,385)           | (6,528)             | (10,913)                             |
| Balance at September 30, 2015      | <u>\$ (4,265)</u> | <u>\$ (8,971)</u>   | <u>\$ (13,236)</u>                   |

See Note 10 for further discussion on the Company's derivative instruments.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

**15. SHAREHOLDERS' EQUITY**

Common Shares

Shares of Old Waste Connections common stock were converted into common shares of New Waste Connections, which do not have a stated par value; therefore, the portion of additional paid-in capital representing the amount of common shares issued above par for Old Waste Connections has been reclassified into common shares of New Waste Connections.

Common Shares Held in Trust

Common shares held in trust consist of shares of New Waste Connections held in a rabbi trust that were acquired by Progressive Waste prior to June 1, 2016 for the benefit of its employees participating in certain equity-based compensation plans. A total of 490,112 common shares were held in the rabbi trust on June 1, 2016 when it was acquired by the Company in the Progressive Waste acquisition. Common shares held in trust are classified as treasury shares in the Company's Condensed Consolidated Balance Sheets. The Company will sell shares out of the rabbi trust as employees exercise restricted share units, which will be settled with cash, under the Progressive Waste equity-based compensation plans that were continued by the Company. During the period of June 1, 2016 to September 30, 2016, the Company sold 205,373 common shares held in the rabbi trust as a result of employees exercising cash-settled restricted share units.

Special Shares

The Company is authorized to issue an unlimited number of special shares. Holders of special shares are entitled to one vote in matters of the Company for each special share held. The special shares carry no right to receive dividends or to receive the remaining property or assets of the Company upon dissolution or wind-up. At September 30, 2016, no special shares were issued.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. Each series of preferred shares issued shall have rights, privileges, restrictions and conditions as determined by the Board of Directors prior to their issuance. Preferred shareholders are not entitled to vote, but take preference over the common shareholders rights in the remaining property and assets of the Company in the event of dissolution or wind-up. At September 30, 2016, no preferred shares were issued.

Share-Based Compensation

*Restricted Share Units – New Waste Connections*

A summary of activity related to restricted share units ("RSUs") during the nine-month period ended September 30, 2016, is presented below:

|                                   | <b>Unvested<br/>Shares</b> |
|-----------------------------------|----------------------------|
| Outstanding at December 31, 2015  | 1,007,301                  |
| Granted                           | 302,149                    |
| Forfeited                         | (40,419)                   |
| Vested and Issued                 | (402,626)                  |
| Vested and Unissued               | (27,362)                   |
| Outstanding at September 30, 2016 | <u>839,043</u>             |

The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the nine-month period ended September 30, 2016 was \$57.46.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Recipients of the Company's RSUs who participate in the Company's Nonqualified Deferred Compensation Plan may have elected in years prior to 2015 to defer some or all of their RSUs as they vest until a specified date or dates they choose. At the end of the deferral periods, the Company issues to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At September 30, 2016 and 2015, the Company had 244,225 and 256,621 vested deferred RSUs outstanding, respectively.

*Performance-Based Restricted Share Units – New Waste Connections*

A summary of activity related to performance-based restricted share units ("PSUs") during the nine-month period ended September 30, 2016, is presented below:

|                                   | <b>Unvested<br/>Shares</b> |
|-----------------------------------|----------------------------|
| Outstanding at December 31, 2015  | 293,413                    |
| Granted                           | 147,644                    |
| Forfeited                         | (33,335)                   |
| Vested and Issued                 | (122,960)                  |
| Outstanding at September 30, 2016 | <u>284,762</u>             |

During the nine months ended September 30, 2016, the Compensation Committee granted PSUs to the Company's executive officers with a one-year performance-based metric that the Company must meet before those awards may be earned, with the awards then subject to time-based vesting for the remaining three years of their four-year vesting period. The Compensation Committee will determine the achievement of performance results and corresponding vesting of PSUs for each performance period. The weighted average grant-date fair value per share for the common shares underlying all PSUs granted during the nine month period ended September 30, 2016 was \$56.75.

*Restricted Share Units - Progressive Waste Plans*

New Waste Connections assumed 490,112 of outstanding restricted share units granted under Progressive Waste equity-based compensation plans as of June 1, 2016, of which 418,242 were vested. The Progressive Waste equity-based compensation plans were continued by the Company following the acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. Restricted share units vest over periods that vary from immediately upon award to three years. The Company recorded a liability of \$25,925 at June 1, 2016 associated with the fair value of the assumed restricted share units outstanding. The fair value was calculated using a Black-Scholes pricing model which includes assumptions regarding expected remaining life, stock volatility, discount rate and annual dividend rate. During the period from June 1, 2016 to September 30, 2016, 25,972 restricted share units vested as a result of plan provisions requiring accelerated vesting to employees due to a change in control followed by termination of employment. During the period from June 1, 2016 to September 30, 2016, 7,346 restricted share units vested over the remaining service period. No restricted share units under the Progressive Waste equity-based compensation plans were granted subsequent to June 1, 2016. During the period from June 1, 2016 to September 30, 2016, 6,189 restricted share units were forfeited and will be redistributed to other remaining active participants. During the period from June 1, 2016 to September 30, 2016, a total of 205,373 vested restricted share units were cash settled under the plans. At September 30, 2016, 284,739 restricted share units remain outstanding under the Progressive Waste equity-based compensation plans, of which 246,267 were vested. During the period of June 1, 2016 to September 30, 2016, the Company recognized compensation expense of \$3,420 related to accelerated vesting and \$4,277 related to vesting over remaining service periods for outstanding restricted share units. As of September 30, 2016, the Company has \$2,831 of unrecognized compensation cost for restricted share units under the Progressive Waste equity-based compensation plans and a liability of \$18,276 representing the September 30, 2016 fair value of outstanding restricted share units, less unrecognized compensation cost.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

*Performance-Based Restricted Share Units - Progressive Waste Plans*

New Waste Connections assumed 206,856 of outstanding performance-based restricted share units granted under Progressive Waste equity-based compensation plans as of June 1, 2016, of which 38,409 were vested. The Progressive Waste equity-based compensation plans were continued by the Company following the acquisition and allow for cash settlement only to employees upon vesting based on achieving target results. Outstanding performance-based restricted share units vest over periods that vary from one month to three years. The Company recorded a liability of \$7,218 at June 1, 2016 associated with the fair value of the assumed restricted share units outstanding. The fair value was calculated using the volume weighted average price of the Company's shares for the five preceding business days as of September 30, 2016. During the period from June 1, 2016 to September 30, 2016, 75,282 performance-based restricted share units vested as a result of plan provisions requiring accelerated vesting to employees due to a change in control followed by termination of employment. No performance-based restricted share units under the Progressive Waste equity-based compensation plans were granted or forfeited subsequent to June 1, 2016. During the period from June 1, 2016 to September 30, 2016, a total of 124,968 vested performance-based restricted share units were cash settled under the plans, net of notional dividend. At September 30, 2016, 81,888 performance-based restricted share units remain outstanding under the Progressive Waste equity-based compensation plans, of which 59,173 were vested. During the period of June 1, 2016 to September 30, 2016, the Company recognized compensation expense of \$4,130 related to accelerated vesting and \$1,952 related to vesting over remaining service periods for performance-based restricted share units. As of September 30, 2016, the Company has \$1,701 of unrecognized compensation cost for performance-based restricted share units under the Progressive Waste equity-based compensation plans and a liability of \$4,433 representing the September 30, 2016 fair value of outstanding performance-based restricted share units, less unrecognized compensation cost.

*Share Based Options – Progressive Waste Plans*

New Waste Connections assumed 456,110 of outstanding share based options granted under Progressive Waste equity-based compensation plans as of June 1, 2016, of which 325,045 were vested. The Progressive Waste equity-based compensation plans were continued by the Company following the acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. Outstanding options vest over periods that vary from one to nine months. The Company recorded a liability of \$13,022 at June 1, 2016 associated with the fair value of the assumed options outstanding. The fair value was calculated using a Black-Scholes pricing model which includes assumptions regarding expected remaining life, stock volatility, discount rate and annual dividend rate. During the period from June 1, 2016 to September 30, 2016, 63,475 options vested as a result of plan provisions requiring accelerated vesting to employees due to a change in control followed by termination of employment. During the period from June 1, 2016 to September 30, 2016, 22,159 options vested over the remaining service period. No options under the Progressive Waste equity-based compensation plans were granted or forfeited subsequent to June 1, 2016. During the period from June 1, 2016 to September 30, 2016, a total of 4,575 vested options were cash settled under the plans. At September 30, 2016, 451,535 options remain outstanding under the Progressive Waste equity-based compensation plans, of which 403,789 were vested. During the period of June 1, 2016 to September 30, 2016, the Company recognized compensation expense of \$472 related to accelerated vesting and \$3,449 related to vesting over remaining service periods for options. As of September 30, 2016, the Company has \$218 of unrecognized compensation cost for options under the Progressive Waste equity-based compensation plans and a liability of \$16,817 representing the September 30, 2016 fair value of outstanding options, less unrecognized compensation cost.

Normal Course Issuer Bid

On July 19, 2016, the Board of Directors of the Company approved, subject to receipt of regulatory approvals, undertaking a normal course issuer bid (the "NCIB") to purchase up to 8,770,732 of the Company's common shares for a one-year period that expires on August 7, 2017. The Company received TSX approval of the NCIB on August 3, 2016. Under the NCIB, the Company may make share repurchases only in the open market, including on the NYSE, the TSX, and alternative Canadian trading systems, at the prevailing market price at the time of the transaction.

In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems would be limited to a maximum of 60,150 common shares, which represents 25% of the average daily trading volume on the TSX of 240,601 common shares for the period from June 1, 2016 to July 31, 2016, being the whole calendar month periods that the Company's shares traded on the TSX from the June 1, 2016 closing of the Progressive Waste acquisition to the date the Company filed its NCIB application with the TSX. The TSX rules also allow the Company to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including the Company's capital structure, the market price of the common shares and overall market conditions. All common shares purchased under the NCIB shall be immediately cancelled following their repurchase.

For the nine months ended September 30, 2016, the Company did not repurchase any common shares pursuant to the NCIB or other share repurchase programs. For the nine months ended September 30, 2015, Old Waste Connections repurchased 1,962,989 shares of common stock at an aggregate cost of \$91,165. As of September 30, 2015, Old Waste Connections held 1,050,820 shares of treasury stock at a cost of \$49,458. These shares were retired in October 2015.

Cash Dividend

In October 2015, Old Waste Connections announced that its Board of Directors increased its regular quarterly cash dividend by \$0.015, from \$0.13 to \$0.145 per share. Cash dividends of \$61,001 and \$48,246 were paid by Old Waste Connections during the nine months ended September 30, 2016 and 2015, respectively.

**16. COMMITMENTS AND CONTINGENCIES**

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

In addition, the Company is a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the waste management business. Except as noted in the matters described below, as of September 30, 2016, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse impact on its business, financial condition, results of operations or cash flows.

Lower Duwamish Waterway Superfund Site Allocation Process

The Company's subsidiary, Northwest Container Services, Inc. ("NWCS"), has been named by the U.S. Environmental Protection Agency, Region 10 (the "EPA"), along with more than 100 others, as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act (also known as CERCLA or the "Superfund" law) with respect to the Lower Duwamish Waterway Superfund Site (the "LDW Site"). Listed on the National Priorities List in 2001, the LDW Site is a five-mile stretch of the Duwamish River flowing into Elliott Bay in Seattle, Washington. A group of PRPs known as the Lower Duwamish Working Group or the "LDWG" and consisting of the City of Seattle, King County, the Port of Seattle, and Boeing Company conducted a Remedial Investigation/Feasibility Study for the LDW Site. On December 2, 2014, the EPA issued its Record of Decision ("ROD") describing the selected clean-up remedy, and therein estimated that clean-up costs (in present value dollars as of November 2014) should total about \$342,000. However, it is possible that additional costs could be incurred based upon various factors. The EPA estimates that it will take seven years to implement the clean-up. The ROD also requires ten years of monitoring following the clean-up, and provides that if clean-up goals have not been met by the end of this period, then additional clean-up activities, at additional cost, may be required at that time. Implementation of the clean-up will not begin until after the ongoing Early Action Area ("EAA") clean-ups have been completed. Typically, costs for monitoring may be in addition to those expended for the clean-up. While three of the EAA clean-ups have been completed to date, some work remains to be done on three other EAAs. Implementation of the clean-up also must await additional baseline sampling throughout the LDW Site and the preparation of a remedial design for performing the clean-up.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

On April 27, 2016, the LDWG entered into a third amendment of its Administrative Order on Consent with the EPA (the “AOC 3”) in which it agreed to perform the additional baseline sediment sampling and certain technical studies needed to prepare the actual remedial design. While the schedule for the pre-remedial design work in the AOC 3 is not exact, the Company estimates that the work thereunder may not be completed until 2019. On June 8, 2016, the EPA conducted a public stakeholder meeting regarding the LDW Site. During the public stakeholder meeting, the EPA provided an overview of the AOC 3 pre-remedial design work and the progress of the on-going work on the EAA cleanups. The next EPA stakeholder meeting is scheduled for November 9, 2016, at which time it is anticipated that more current information on the status of the cleanups will be available.

In August 2014, NWCS entered into an Alternative Dispute Resolution Memorandum of Agreement with several dozen other PRPs and a neutral allocator to conduct a confidential and non-binding allocation of certain past response costs allegedly incurred at the LDW Site as well as the anticipated future response costs associated with the clean-up. The allocation process is designed to develop evidence relating to each PRP’s nexus, if any, to the LDW Site (regardless of whether that PRP is participating in the allocation process), and to determine each PRP’s share of the past and future response costs. The goal of the allocation process is to reach agreement on a division of responsibility between and amongst the PRPs so that the PRPs then will be in a position to negotiate a global settlement with the EPA.

On August 16, 2016, the EPA sent individual letters to each of the PRPs at the LDW Site, including NWCS, stating that it expects to initiate negotiations with all PRPs in early 2018 relating to a Remedial Design/Remedial Action (“RD/RA”) Consent Decree. An RD/RA Consent Decree provides for the cleanup of the entire site and is often referred to as a “global settlement.” In the letter the EPA explained this schedule, noting that it expected the pre-remedial design work under the AOC 3 to be completed by the beginning of 2018, and also that it understood that several PRPs are participating in a neutral allocation which the EPA is hopeful will be completed by early 2018. The EPA encouraged the PRPs to complete the allocation on a schedule consistent with the EPA’s intended negotiation schedule, adding that it expects to initiate the RD/RA negotiations on schedule regardless of the status of the allocation. The Company cannot provide assurance that EPA’s schedule can be met. NWCS is defending itself vigorously in this confidential allocation process. At this point, the Company is not able to determine the likelihood of the allocation process being completed as intended by the participating PRPs, its specific allocation, nor the likelihood of the parties then negotiating a global settlement with the EPA. Thus, NWCS cannot reasonably determine the likelihood of any outcome in this matter.

Under CERCLA, certain Federal, State, and Indian Tribe officials are designated as natural resource trustees and have responsibility for ensuring the restoration of injured natural resources. On February 11, 2016, NWCS received a letter (the “Letter”) from the United States Department of Commerce, National Oceanic and Atmospheric Administration (“NOAA”), describing certain investigatory activities conducted by the Elliott Bay Trustee Council (the “Council”). The Council consists of all of the natural resources trustees for the LDW Site as well as two nearby Superfund sites, the Harbor Island site and the Lockheed West site. The members of the Council include the United States, on behalf of the U.S. National Oceanic and Atmospheric Administration and the U.S. Department of the Interior, the Washington State Department of Ecology, and the Suquamish and Muckleshoot Indian Tribes (together, the “Trustees”). The Letter appears to allege that NWCS may be a potentially liable party that allegedly contributed to the release of hazardous substances that have injured natural resources at the LDW Site. Damages to natural resources are in addition to clean-up costs. The Letter, versions of which NWCS believes were sent to all or a group of the PRPs at the LDW Site, also notified its recipients of their opportunity to participate in the Trustees’ development of an Assessment Plan and the performance of a Natural Resources Damages Assessment (“NRDA”) in accordance with the Assessment Plan for both the LDW Site and the east and west waterways of the Harbor Island site. NWCS timely responded with correspondence to the NOAA Office of General Counsel, dated March 9, 2016, in which it declined the invitation at that time. NWCS does not know how other PRPs responded to the Letter, and has not received any further communication from NOAA or the Trustees. The Trustees have not responded to NWCS’ letter and NWCS is not aware of any further action by the Trustees with respect to the Assessment Plan and NRDA. At this point, the Company is not able to determine the likelihood or amount of an assessment of natural resource damages against NWCS in connection with this matter.

Some work is being done with respect to natural resource damages (“NRD”) at the LDW Site. On September 22, 2016, a proposed consent decree settlement was announced between the City of Seattle (the “City”) and NOAA and the other natural resource trustees for the LDW Site. The proposed NRD settlement that the City has entered into at the LDW Site, if approved, will generally provide that the City will fund the development of restoration projects by purchasing restoration credits from Bluefield Holdings, a company that develops such projects. At this time, NWCS has not been approached by either the Council or the trustees for the LDW Site regarding participation in any similar NRD settlements.

WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

**17. SUBSEQUENT EVENT**

On October 26, 2016, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.035, from \$0.145 to \$0.18 per Company common share, and then declared a regular quarterly cash dividend of \$0.18 per Company common share. The dividend will be paid on November 21, 2016, to shareholders of record on the close of business on November 7, 2016.

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

On June 1, 2016, pursuant to the terms of the Agreement and Plan of Merger dated as of January 18, 2016 (the "Merger Agreement"), Water Merger Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of Progressive Waste Solutions Ltd. ("Merger Sub"), merged with and into Waste Connections US, Inc. (f/k/a Waste Connections, Inc.), a Delaware corporation ("Old Waste Connections") in an all-stock business combination with Old Waste Connections continuing as the surviving corporation and an indirect wholly-owned subsidiary of Waste Connections, Inc. (f/k/a Progressive Waste Solutions Ltd.), a corporation organized under the laws of Ontario, Canada ("New Waste Connections," "WCI" or the "Company"). We use the term "Progressive Waste" herein in the context of references to Progressive Waste Solutions Ltd. and its shareholders prior to the completion of the Progressive Waste acquisition on June 1, 2016.

Under the terms of the Merger Agreement, Old Waste Connections' stockholders received 2.076843 New Waste Connections shares for each Old Waste Connections share they owned. Immediately following the completion of the Progressive Waste acquisition, New Waste Connections also completed (i) a consolidation whereby every 2.076843 common shares outstanding were converted into one common share (the "Consolidation") and (ii) an amalgamation with a wholly-owned subsidiary whereby its legal name was changed from Progressive Waste Solutions Ltd. to Waste Connections, Inc. (the "Amalgamation"). Upon completion of the Progressive Waste acquisition, Old Waste Connections' former stockholders owned approximately 70% of the combined company, and Progressive Waste's former shareholders owned approximately 30%. Following the completion of the Progressive Waste acquisition, the Consolidation and the Amalgamation, on June 1, 2016, the post-Consolidation common shares of New Waste Connections commenced trading on the Toronto Stock Exchange (the "TSX") and on the New York Stock Exchange (the "NYSE") under the ticker symbol "WCN." The common stock of Old Waste Connections, which traded previously under the symbol "WCN," has ceased trading on, and has been delisted from, the NYSE.

The Company is led by Old Waste Connections' management team and the Board of Directors of the combined company includes the five members of Old Waste Connections' board and two members from Progressive Waste's board.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking in nature, including statements related to our ability to provide adequate cash to fund our operating activities, our ability to draw on our credit agreement or raise additional capital, the responsibilities of our subsidiaries with regard to possible cleanup obligations imposed by the EPA, the impact of global, regional and local economic conditions, including the price of crude oil, on our volume, business and results of operations, the effects of seasonality on our business and results of operations, our ability to address any impacts of inflation on our business, demand for recyclable commodities and recyclable commodity pricing, our expectations with respect to capital expenditures, our expectations with respect to our ability to obtain expansions of permitted landfill capacity and to provide collection services under exclusive arrangements, our expectations with respect to our normal course issuer bid (our share repurchase program) and future dividend payments, our expectations with respect to the outcomes of our legal proceedings, our expectations with respect to the potential financial impairment of our reporting units caused by dispositions of certain operating units, and our expectations with respect to the anticipated benefits of the Progressive Waste acquisition. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should" or "anticipates," or the negative thereof or comparable terminology, or by discussions of strategy.

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

Our business and operations are subject to a variety of risks and uncertainties and, consequently, actual results may differ materially from those projected by any forward-looking statements. Factors that could cause actual results to differ from those projected include, but are not limited to, the following:

- Negative trends or volatility in crude oil prices may adversely affect the level of exploration, development and production activity of E&P companies and the demand for our E&P waste services;
- Our results are vulnerable to economic conditions;
- Our financial and operating performance may be affected by the inability to renew landfill operating permits, obtain new landfills and expand existing ones;

- A portion of our growth and future financial performance depends on our ability to integrate acquired businesses, and the success of our acquisitions;
- Each business that we acquire or have acquired may have liabilities or risks that we fail or are unable to discover, or that become more adverse to our business than we anticipated at the time of acquisition;
- Competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit our ability to grow through acquisitions;
- Our industry is highly competitive and includes larger and better capitalized companies, companies with lower prices, return expectations or other advantages, and governmental service providers, which could adversely affect our ability to compete and our operating results;
- Our indebtedness could adversely affect our financial condition and limit our financial flexibility;
- Price increases may not be adequate to offset the impact of increased costs, or may cause us to lose volume;
- Fluctuations in prices for recycled commodities that we sell and rebates we offer to customers may cause our revenues and operating results to decline;
- The seasonal nature of our business and “event-driven” waste projects cause our results to fluctuate;
- We may lose contracts through competitive bidding, early termination or governmental action;
- Alternatives to landfill disposal may cause our revenues and operating results to decline;
- Increases in labor costs could impact our financial results;
- Increases in the price of diesel or compressed natural gas fuel may adversely affect our collection business and reduce our operating margins;
- Labor union activity could divert management attention and adversely affect our operating results;
- We could face significant withdrawal liability if we withdraw from participation in one or more multiemployer pension plans in which we participate and the accrued pension benefits are not fully funded;
- Pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements;
- We may be subject in the normal course of business to judicial, administrative or other third-party proceedings that could interrupt or limit our operations, require expensive remediation, result in adverse judgments, settlements or fines and create negative publicity;
- Our financial results could be adversely affected by impairments of goodwill, indefinite-lived intangibles or property and equipment;
- Increases in insurance costs and the amount that we self-insure for various risks could reduce our operating margins and reported earnings;
- We rely on computer systems to run our business and disruptions or privacy breaches in these systems could impact our ability to service our customers and adversely affect our financial results, damage our reputation, and expose us to litigation risk;
- Extensive and evolving environmental, health and safety laws and regulations may restrict our operations and growth and increase our costs;

- Our E&P waste business could be adversely affected by changes in laws regulating E&P waste;
- Our E&P waste business depends on the willingness of E&P companies to outsource their waste services activities;
- Changes in laws or government regulations regarding hydraulic fracturing could increase our customers' costs of doing business and reduce oil and gas production by our customers, which could adversely impact our business;
- Future changes in laws regulating the flow of solid waste in interstate commerce could adversely affect our operating results;
- Extensive regulations that govern the design, operation, expansion and closure of landfills may restrict our landfill operations or increase our costs of operating landfills;
- Our financial results are based upon estimates and assumptions that may differ from actual results;
- Our accruals for our landfill site closure and post-closure costs may be inadequate;
- We depend significantly on the services of the members of our senior and regional management team, and the departure of any of those persons could cause our operating results to suffer;
- Our decentralized decision-making structure could allow local managers to make decisions that may adversely affect our operating results;
- Liabilities for environmental damage may adversely affect our financial condition, business and earnings;
- If we are not able to develop and protect intellectual property, or if a competitor develops or obtains exclusive rights to a breakthrough technology, our financial results may suffer;
- The possibility that any of the anticipated benefits of the Progressive Waste acquisition will not be realized;
- The ability of the combined company to successfully achieve business objectives, including integrating the two companies or the effects of unexpected costs, liabilities or delays; and
- The potential benefits and synergies of the Progressive Waste acquisition.

These risks and uncertainties, as well as others, are discussed in greater detail in this Quarterly Report on Form 10-Q and in other filings with the Securities and Exchange Commission, or SEC, made by Old Waste Connections, including its most recent Annual Report on Form 10-K, and by the Company, including its most recent Annual Report on Form 40-F as well as in the Company's filings during the year with the Canadian Securities Administrators. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. We make no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change.

## OVERVIEW OF OUR BUSINESS

We are an integrated solid waste services company that provides waste collection, transfer, disposal and recycling services in mostly exclusive and secondary markets in the U.S. and Canada. Through our R360 Environmental Solutions subsidiary, we are also a leading provider of non-hazardous exploration and production, or E&P, waste treatment, recovery and disposal services in several of the most active natural resource producing areas in the U.S. We also provide intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

We seek to avoid highly competitive, large urban markets and instead target markets where we can attain high market share either through exclusive contracts, vertical integration or asset positioning. In markets where waste collection services are provided under exclusive arrangements, or where waste disposal is municipally owned or funded or available at multiple municipal sources, we believe that controlling the waste stream by providing collection services under exclusive arrangements is often more important to our growth and profitability than owning or operating landfills. We also target niche markets, like E&P waste treatment and disposal services.

As of September 30, 2016, we served residential, commercial, industrial and E&P customers in 40 states and the District of Columbia in the U.S. and six provinces in Canada: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Wisconsin, Washington and Wyoming and the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan. As of September 30, 2016, we owned or operated a network of 271 solid waste collection operations; 133 transfer stations; seven intermodal facilities; 71 recycling operations; 94 active MSW, E&P and/or non-MSW landfills; 23 E&P liquid waste injection wells and 16 E&P waste treatment and oil recovery facilities.

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

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

The E&P waste services industry is regional in nature and is also highly fragmented, with acquisition opportunities available in several active natural resource basins. Competition for E&P waste comes primarily from smaller regional companies that utilize a variety of disposal methods and generally serve specific geographic markets, and other solid waste companies. In addition, customers in many markets have the option of using internal disposal methods or outsourcing to another third-party disposal company. The principal competitive factors in this business include: gaining customer approval of treatment and disposal facilities; location of facilities in relation to customer activity; reputation; reliability of services; track record of environmental compliance; ability to accept multiple waste types at a single facility; and price. The demand for our E&P waste services depends on the continued demand for, and production of, oil and natural gas. Crude oil and natural gas prices historically have been volatile and the substantial reductions in crude oil prices that began in October 2014, and continued through 2015 and 2016, have resulted in a decline in the level of drilling and production activity, reducing the demand for E&P waste services in the basins in which we operate. A further reduction in crude oil and natural gas prices could lead to continued declines in the level of production activity and demand for our E&P waste services, which could result in the recognition of impairment charges on our goodwill, intangible assets and property and equipment associated with our E&P operations. At September 30, 2016, our E&P segment has remaining balances of \$903.0 million in property and equipment, \$77.3 million in goodwill and \$21.3 million in indefinite-lived intangible assets.

#### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities in the condensed consolidated financial statements. As described by the SEC, critical accounting estimates and assumptions are those that may be material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and that have a material impact on the financial condition or operating performance of a company. Such critical accounting estimates and assumptions are applicable to our reportable segments. Refer to Old Waste Connections' most recent Annual Report on Form 10-K for a complete description of our critical accounting estimates and assumptions.

#### NEW ACCOUNTING PRONOUNCEMENTS

For a description of the new accounting standards that affect us, see Note 3 to our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

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

|                                                     | Three months ended September 30, |        |             |         | Nine months ended September 30, |        |             |        |
|-----------------------------------------------------|----------------------------------|--------|-------------|---------|---------------------------------|--------|-------------|--------|
|                                                     | 2016                             |        | 2015        |         | 2016                            |        | 2015        |        |
| Revenues                                            | \$1,084,922                      | 100.0% | \$ 547,938  | 100.0%  | \$2,327,241                     | 100.0% | \$1,585,350 | 100.0% |
| Cost of operations                                  | 636,310                          | 58.7   | 300,910     | 54.9    | 1,339,764                       | 57.6   | 879,470     | 55.5   |
| Selling, general and administrative                 | 129,576                          | 11.9   | 59,799      | 10.9    | 349,995                         | 15.0   | 175,208     | 11.0   |
| Depreciation                                        | 125,744                          | 11.6   | 61,373      | 11.2    | 270,988                         | 11.6   | 178,318     | 11.2   |
| Amortization of intangibles                         | 26,944                           | 2.5    | 7,195       | 1.3     | 48,719                          | 2.1    | 21,458      | 1.4    |
| Impairments and other operating items               | 7,682                            | 0.7    | 493,813     | 90.2    | 4,634                           | 0.2    | 494,158     | 31.2   |
| Operating income (loss)                             | 158,666                          | 14.6   | (375,152)   | (68.5)  | 313,141                         | 13.5   | (163,262)   | (10.3) |
| Interest expense                                    | (27,621)                         | (2.5)  | (16,367)    | (3.0)   | (65,291)                        | (2.8)  | (47,386)    | (3.0)  |
| Other income (expense), net                         | 671                              | 0.0    | (1,303)     | (0.2)   | 179                             | 0.0    | (1,430)     | (0.1)  |
| Foreign currency transaction gain (loss)            | (350)                            | (0.0)  | -           | -       | 339                             | 0.0    | -           | -      |
| Income tax (provision) benefit                      | (42,485)                         | (3.9)  | 136,017     | 24.8    | (86,750)                        | (3.8)  | 64,996      | 4.1    |
| Net income (loss)                                   | 88,881                           | 8.2    | (256,805)   | (46.9)  | 161,618                         | 6.9    | (147,082)   | (9.3)  |
| Net income attributable to noncontrolling interests | (264)                            | 0.0    | (204)       | (0.0)   | (670)                           | 0.0    | (743)       | (0.0)  |
| Net income (loss) attributable to Waste Connections | \$ 88,617                        | 8.2%   | \$(257,009) | (46.9)% | \$ 160,948                      | 6.9%   | \$(147,825) | (9.3)% |

**Revenues.** Total revenues increased \$537.0 million, or 98.0%, to \$1.085 billion for the three months ended September 30, 2016, from \$547.9 million for the three months ended September 30, 2015.

During the three months ended September 30, 2016, incremental revenue from acquisitions closed during, or subsequent to, the three months ended September 30, 2015, increased revenues by approximately \$539.3 million. The Progressive Waste acquisition contributed \$513.1 million of the \$539.3 million increase. Operations divested during, or subsequent to, the three months ended September 30, 2015, decreased revenues by approximately \$0.8 million.

During the three months ended September 30, 2016, the net increase in prices charged to our customers was \$11.3 million, consisting of \$12.6 million of core price increases, partially offset by a decrease of \$1.3 million from fuel, materials and environmental surcharges due primarily to a decline in the market price of diesel fuel.

During the three months ended September 30, 2016, volume increases in our existing business increased solid waste revenues by \$5.5 million from increases in roll off collection, transfer station volumes and landfill volumes resulting from increased construction and general economic activity in our markets. E&P revenues at facilities owned and fully-operated in each of the comparable periods decreased by \$21.1 million due to the substantial reductions in crude oil prices that began in October 2014, and continued through 2015 and 2016, which resulted in a decline in the level of drilling and production activity thereby reducing the demand for E&P waste services in the basins in which we operate. The ongoing impact of the aforementioned reduction in the price of crude oil is expected to contribute to a decline in revenue at our E&P segment in 2016 of approximately 45% from 2015 levels.

Revenues from sales of recyclable commodities at facilities owned during the three months ended September 30, 2016 and 2015 increased \$1.8 million due primarily to increased prices for recyclable commodities, which began to recover in the second half of 2016.

Other revenues increased by \$1.0 million during the three months ended September 30, 2016.

Total revenues increased \$741.9 million, or 46.8%, to \$2.327 billion for the nine months ended September 30, 2016, from \$1.585 billion for the nine months ended September 30, 2015.

During the nine months ended September 30, 2016, incremental revenue from acquisitions closed during, or subsequent to, the nine months ended September 30, 2015, increased revenues by approximately \$761.7 million, of which \$687.1 million is attributable to the Progressive Waste acquisition completed on June 1, 2016. Operations divested during, or subsequent to, the nine months ended September 30, 2015, decreased revenues by approximately \$2.6 million.

During the nine months ended September 30, 2016, the net increase in prices charged to our customers was \$35.2 million, consisting of \$38.0 million of core price increases, partially offset by a decrease of \$2.8 million from fuel, materials and environmental surcharges due primarily to a decline in the market price of diesel fuel.

During the nine months ended September 30, 2016, volume increases in our existing business increased solid waste revenues by \$31.5 million from increases in roll off collection, transfer station volumes and landfill volumes resulting from increased construction and general economic activity in our markets. E&P revenues at facilities owned and fully-operated in each of the comparable periods decreased by \$84.2 million due to the substantial reductions in crude oil prices that began in October 2014, and continued through 2015 and 2016, which resulted in a decline in the level of drilling and production activity thereby reducing the demand for E&P waste services in the basins in which we operate.

Revenues from sales of recyclable commodities at facilities owned during the nine months ended September 30, 2016 and 2015 increased \$0.3 million due primarily to increased prices for recyclable commodities, which began to recover in the second half of 2016.

**Cost of Operations.** Total cost of operations increased \$335.4 million, or 111.5%, to \$636.3 million for the three months ended September 30, 2016, from \$300.9 million for the three months ended September 30, 2015. The increase was primarily the result of \$317.6 million of operating costs from the Progressive Waste acquisition, \$13.2 million of additional operating costs from all other acquisitions closed during, or subsequent to, the three months ended September 30, 2015 and an increase in operating costs at our existing solid waste and intermodal operations of \$14.0 million, less a decrease in operating costs at our E&P operations of \$9.4 million.

The increase in operating costs at our existing solid waste and intermodal operations of \$14.0 million for the three months ended September 30, 2016 was comprised of an increase in labor expenses of \$4.5 million due primarily to employee pay rate and headcount increases to support volume increases, an increase in employee benefits expenses of \$5.0 million due to increased medical claims costs, an increase in taxes on revenues of \$1.6 million due to increased revenues in our solid waste markets, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.5 million due to variability in the timing and severity of major repairs, an increase in third-party disposal expense of \$0.8 million due to disposal rate increases and higher disposal costs associated with increased collection and transfer station volumes, an increase in third-party trucking and transportation expenses of \$1.9 million due to increased transfer station and landfill volumes that require us to transport the waste to our disposal sites and \$0.9 million of other net expense increases, partially offset by a decrease in fuel expense of \$2.0 million due to lower market prices for diesel fuel not purchased under diesel fuel hedge agreements and a decrease in auto, workers' compensation and property claims expense under our high deductible insurance program of \$1.2 million due primarily to adjustments recorded during the prior year period to projected losses on open claims.

The decrease in operating costs at our E&P operations of \$9.4 million for the three months ended September 30, 2016 was comprised of decreased fuel expenses of \$0.5 million due primarily to decreases in the price of diesel fuel and the following changes attributable to a reduction in our operations resulting from the decline in the level of drilling and production activity: decreased employee wage and benefits expenses of \$3.5 million, decreased third-party trucking and transportation expenses of \$1.7 million, decreased equipment repair expenses of \$1.1 million, decreased disposal expenses of \$0.4 million, decreased royalties on revenues of \$0.3 million and \$1.9 million of other net expense decreases.

Total cost of operations increased \$460.3 million, or 52.3%, to \$1.340 billion for the nine months ended September 30, 2016, from \$879.5 million for the nine months ended September 30, 2015. The increase was primarily the result of \$424.4 million of operating costs from the Progressive Waste acquisition, \$38.5 million of additional operating costs from all other acquisitions closed during, or subsequent to, the nine months ended September 30, 2015, and an increase in operating costs at our existing solid waste and intermodal operations of \$37.9 million, less a decrease in operating costs at our E&P operations of \$40.5 million.

The increase in operating costs at our existing solid waste and intermodal operations of \$37.9 million for the nine months ended September 30, 2016 was comprised of an increase in labor expenses of \$15.5 million due primarily to employee pay rate and headcount increases to support volume increases, an increase in taxes on revenues of \$7.2 million due to increased revenues in our solid waste markets, an increase in truck, container, equipment and facility maintenance and repair expenses of \$6.0 million due to variability in the timing and severity of major repairs, an increase in third-party disposal expense of \$3.5 million due to disposal rate increases and higher disposal costs associated with increased collection and transfer station volumes, an increase in employee benefits expenses of \$7.9 million due to increased medical claims costs, an increase in third-party trucking and transportation expenses of \$3.9 million due to increased transfer station and landfill volumes that require us to transport the waste to our disposal sites, an increase in leachate disposal expenses at our landfills of \$1.2 million and \$0.8 million of other net expense increases, partially offset by a decrease in fuel expense of \$8.1 million due to lower market prices for diesel fuel not purchased under diesel fuel hedge agreements.

During the nine months ended September 30, 2015, we incurred \$5.0 million in expenses due to site clean-up and remediation work associated with flooding and other surface damage at two of our E&P disposal sites in New Mexico resulting from heavy precipitation affecting the sites, and \$1.5 million of start-up related expenses at two new E&P disposal facilities. The remaining decrease in operating costs at our E&P operations of \$34.0 million for the nine months ended September 30, 2016 was comprised of decreased fuel expenses of \$2.0 million due primarily to decreases in the price of diesel fuel and the following changes attributable to a reduction in our operations resulting from the decline in the level of drilling and production activity: decreased employee wage and benefits expenses of \$10.8 million, decreased third-party trucking and transportation expenses of \$6.7 million, decreased cell processing and site remediation work of \$3.5 million, decreased equipment repair expenses of \$3.4 million, decreased equipment rental expenses of \$2.2 million, decreased landfill operating supplies of \$1.6 million, decreased royalties on revenues of \$1.1 million, decreased disposal expenses of \$1.0 million and \$1.7 million of other net expense decreases.

Cost of operations as a percentage of revenues increased 3.8 percentage points to 58.7% for the three months ended September 30, 2016, from 54.9% for the three months ended September 30, 2015. The components of the 3.8 percentage point increase consist of a 3.1 percentage point increase from acquisitions closed during, or subsequent to, the three months ended September 30, 2015 having operating margins lower than our company average, a 0.9 percentage point increase from benefits expenses in our solid waste segments, a 0.3 percentage point increase from our E&P operations resulting from fixed operating expenses increasing as an overall percentage of revenues due to the aforementioned decline in E&P revenues and a 0.1 percentage point increase from all other net changes at our existing operations, partially offset by a 0.6 percentage point decrease at our solid waste operations due to decreased expenses for diesel fuel.

Cost of operations as a percentage of revenues increased 2.1 percentage points to 57.6% for the nine months ended September 30, 2016, from 55.5% for the nine months ended September 30, 2015. The components of the 2.1 percentage point increase consist of a 2.1 percentage point increase from acquisitions closed during, or subsequent to, the nine months ended September 30, 2015 having operating margins lower than our company average, a combined 0.5 percentage point increase from labor and benefits expenses in our solid waste segments and a 0.3 percentage point increase from our E&P operations resulting from fixed operating expenses increasing as an overall percentage of revenues due to the aforementioned decline in E&P revenues, partially offset by a 0.8 percentage point decrease at our solid waste operations due to decreased expenses for diesel fuel.

**SG&A.** SG&A expenses increased \$69.8 million, or 116.7%, to \$129.6 million for the three months ended September 30, 2016, from \$59.8 million for the three months ended September 30, 2015. The increase was comprised of \$39.4 million of SG&A expenses from operating locations acquired in the Progressive Waste acquisition, \$1.6 million of additional SG&A expenses from operating locations at all other acquisitions closed during, or subsequent to, the three months ended September 30, 2015, an increase of \$4.8 million resulting from severance-related expenses payable to Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the acquisition, an increase in equity-based compensation expenses of \$4.4 million resulting from time-lapse vesting and changes to the fair value of awards granted by Progressive Waste prior to the June 1, 2016 closing of the Progressive Waste acquisition to employees of Progressive Waste who were retained as employees of New Waste Connections following the closing and which awards were continued by New Waste Connections, an increase of \$5.4 million resulting from employee relocation expenses and professional fees incurred to integrate the operations of Progressive Waste into New Waste Connections, an increase of \$5.3 million resulting from the accrual of incentive compensation expenses to certain of our executive officers and key employees related to the achievement of defined synergy goals realized by New Waste Connections from the acquisition of Progressive Waste, an increase in accrued cash incentive compensation expense of \$3.1 million due to the addition of accrued cash incentive compensation expense for the retained employees of Progressive Waste, an increase in payroll expenses of \$2.2 million at our solid waste segments primarily related to headcount increases and annual compensation increases, an increase in employee benefits expenses of \$1.4 million due to increased medical claims costs, an increase in deferred compensation expense of \$1.4 million resulting from deferred compensation liabilities to employees increasing as a result of increases in the market value of investments to which employee deferred compensation balances are tracked, an increase in corporate travel, meetings and training expenses of \$1.1 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in legal and accounting professional fee expenses of \$0.9 million due to increased support required as a result of growth from the acquisition of Progressive Waste and \$0.3 million of other net expense increases, partially offset by a decrease at our E&P segment of \$1.5 million for payroll and employee travel expenses due to management-level headcount reductions resulting from the decline in E&P disposal volumes.

SG&A expenses increased \$174.8 million, or 99.8%, to \$350.0 million for the nine months ended September 30, 2016, from \$175.2 million for the nine months ended September 30, 2015. The increase was comprised of \$54.4 million of SG&A expenses from operating locations acquired in the Progressive Waste acquisition, \$4.4 million of additional SG&A expenses from operating locations at all other acquisitions closed during, or subsequent to, the nine months ended September 30, 2015, an increase in direct acquisition costs of \$31.0 million attributable primarily to the Progressive Waste acquisition, an increase of \$24.2 million resulting from severance-related expenses payable to Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the acquisition, an increase of \$14.5 million from New Waste Connections paying excise taxes levied on the unvested or vested and undistributed equity-compensation holdings of our corporate officers and members of our Board of Directors resulting from the Progressive Waste acquisition, an increase in equity-based compensation expenses of \$8.0 million related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated due to plan provisions regarding a change in control followed by termination of employment, an increase in equity-based compensation expenses of \$9.8 million resulting from time-lapse vesting and changes to the fair value of awards granted by Progressive Waste prior to the June 1, 2016 closing of the Progressive Waste acquisition to employees of Progressive Waste who were retained as employees of New Waste Connections following the closing and which awards were continued by New Waste Connections, an increase of \$5.3 million resulting from the accrual of incentive compensation expenses to certain of our executive officers and key employees related to the achievement of defined synergy goals realized by New Waste Connections from the acquisition of Progressive Waste, an increase in equity-based compensation expenses of \$2.3 million resulting from the acceleration of vesting of performance share units granted to Old Waste Connections' management in 2014 and 2015, an increase of \$5.8 million resulting from employee relocation expenses and professional fees incurred to integrate the operations of Progressive Waste into New Waste Connections, an increase in payroll expenses of \$5.4 million at our solid waste segments primarily related to headcount increases and annual compensation increases, an increase in accrued cash incentive compensation expense of \$4.9 million due primarily to the addition of accrued cash incentive compensation expense for the retained employees of Progressive Waste, an increase in equity-based compensation expenses of \$1.0 million associated with our annual recurring grant of restricted share units to our personnel, an increase in employee benefits expenses of \$2.3 million due to increased medical claims costs, an increase in corporate travel, meetings and training expenses of \$1.9 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in legal and accounting professional fee expenses of \$1.7 million due to increased support required as a result of growth from the acquisition of Progressive Waste, an increase in deferred compensation expense of \$1.5 million resulting from deferred compensation liabilities to employees increasing as a result of increases in the market value of investments to which employee deferred compensation balances are tracked and an increase in credit card fees of \$1.0 million resulting from an increase in the total number of customers remitting payments for our services using credit cards, partially offset by a decrease at our E&P segment of \$4.6 million for payroll and employee travel expenses due to management-level headcount reductions resulting from the decline in E&P disposal volumes.

SG&A expenses as a percentage of revenues increased 1.0 percentage point to 11.9% for the three months ended September 30, 2016, from 10.9% for the three months ended September 30, 2015. The increase as a percentage of revenues includes a 1.9 percentage point increase resulting from the combined totals of the aforementioned increases associated with severance expense, relocation and professional fee expense, synergy bonus expense and equity-based compensation expense from the continuation of awards granted to Progressive Waste employees prior to the acquisition close and a 0.3 percentage point increase resulting from increased deferred compensation expense, partially offset by a 1.2 percentage point decrease from the net impact of SG&A expenses from operating locations acquired in the Progressive Waste acquisition and all other acquisitions closed during, or subsequent to, the three months ended September 30, 2015.

SG&A expenses as a percentage of revenues increased 4.0 percentage points to 15.0% for the nine months ended September 30, 2016, from 11.0% for the nine months ended September 30, 2015. The increase as a percentage of revenues was attributable to a 4.2 percentage point increase resulting from the combined totals of the aforementioned increases associated with direct acquisition costs, severance expenses, relocation and professional fee expense, synergy bonus expense, excise taxes, equity-based compensation expense from the continuation of awards granted to Progressive Waste employees prior to the acquisition close and equity-based compensation expense from the acceleration of certain performance share units, a 0.2 percentage point increase from increased payroll expenses and a 0.3 percentage point increase from all other net changes at our existing operations, partially offset by a 0.7 percentage point decrease from the net impact of SG&A expenses from operating locations acquired in the Progressive Waste acquisition and all other acquisitions closed during, or subsequent to, the nine months ended September 30, 2015.

Depreciation. Depreciation expense increased \$64.3 million, or 104.9%, to \$125.7 million for the three months ended September 30, 2016, from \$61.4 million for the three months ended September 30, 2015. The increase was primarily the result of additional depreciation and depletion expense of \$59.5 million from the Progressive Waste acquisition, additional depreciation and depletion expense of \$3.9 million from all other acquisitions closed during, or subsequent to, the three months ended September 30, 2015, an increase in depreciation expense of \$1.4 million associated with additions to our fleet and equipment purchased to support our existing operations and an increase in depletion expense of \$0.2 million at our existing solid waste landfills due primarily to an increase in volumes, partially offset by a decrease in depletion expense of \$0.7 million at our existing E&P landfills due to volume decreases resulting from a decline in the level of oil drilling and production activity due to reductions in crude oil prices.

Depreciation expense increased \$92.7 million, or 52.0%, to \$271.0 million for the nine months ended September 30, 2016, from \$178.3 million for the nine months ended September 30, 2015. The increase was primarily the result of additional depreciation and depletion expense of \$79.3 million from the Progressive Waste acquisition, additional depreciation and depletion expense of \$11.4 million from all other acquisitions closed during, or subsequent to, the three months ended September 30, 2015, an increase in depreciation expense of \$4.9 million associated with additions to our fleet and equipment purchased to support our existing operations and an increase in depletion expense of \$2.2 million at our existing solid waste landfills due primarily to an increase in volumes, partially offset by a decrease in depletion expense of \$5.1 million at our existing E&P landfills due to volume decreases resulting from a decline in the level of oil drilling and production activity due to reductions in crude oil prices.

Depreciation expense as a percentage of revenues increased 0.4 percentage points to 11.6% for the three and nine months ended September 30, 2016, from 11.2% for the three and nine months ended September 30, 2015. The increases as a percentage of revenues were due primarily to the Progressive Waste acquisition, the impact of a decline in E&P revenues from operations owned in the comparable periods and depreciation expense associated with additions to our fleet and equipment purchased to support our existing operations, partially offset by the decrease in depletion expense at our existing E&P landfills.

Amortization of Intangibles. Amortization of intangibles expense increased \$19.7 million, or 274.5%, to \$26.9 million for the three months ended September 30, 2016, from \$7.2 million for the three months ended September 30, 2015. The increase in amortization expense was the result of \$20.1 million recorded on contracts, customer lists and transfer station permits acquired in the Progressive Waste acquisition and \$0.6 million from intangible assets acquired in other acquisitions closed in 2015 and 2016, partially offset by a decrease of \$1.0 million from certain intangible assets becoming fully amortized subsequent to September 30, 2015.

Amortization of intangibles expense increased \$27.2 million, or 127.0%, to \$48.7 million for the nine months ended September 30, 2016, from \$21.5 million for the nine months ended September 30, 2015. The increase in amortization expense was the result of \$27.4 million recorded on contracts, customer lists and transfer station permits acquired in the Progressive Waste acquisition and \$1.7 million from intangible assets acquired in other acquisitions closed in 2015 and 2016, partially offset by a decrease of \$1.9 million from certain intangible assets becoming fully amortized subsequent to September 30, 2015.

Amortization expense as a percentage of revenues increased 1.2 percentage points to 2.5% for the three months ended September 30, 2016, from 1.3% for the three months ended September 30, 2015. Amortization expense as a percentage of revenues increased 0.7 percentage points to 2.1% for the nine months ended September 30, 2016, from 1.4% for the nine months ended September 30, 2015. The increases were the result of the net impact of the aforementioned intangible assets acquired in the Progressive Waste acquisition, partially offset by certain intangible assets becoming fully amortized subsequent to the end of the prior year period.

Impairments and Other Operating Items. Impairments and other operating items decreased \$486.1 million, to \$7.7 million for the three months ended September 30, 2016, from \$493.8 million for the three months ended September 30, 2015. Impairments and other operating items decreased \$489.6 million, to \$4.6 million for the nine months ended September 30, 2016, from \$494.2 million for the nine months ended September 30, 2015.

During the three months ended September 30, 2016, we recorded impairment charges totaling \$2.7 million related to four operating locations in our E&P segment which were permanently closed in 2016, a \$4.6 million charge to terminate an operating lease for our corporate aircraft and \$0.4 million of net losses on the disposal of other operating assets.

During the nine months ended September 30, 2016, we recorded \$0.9 million of net losses on the disposal of other operating assets and the aforementioned charges of \$2.7 million related to impairments at our E&P segment and \$4.6 million for our aircraft lease termination, which were partially offset by a gain of \$2.4 million resulting from the decrease to the fair value of an amount payable under a liability-classified contingent consideration arrangement from a prior year acquisition and a gain of \$1.2 million from the favorable settlement of a legal matter.

During the three and nine months ended September 30, 2015, we recorded impairment charges at our E&P segment of \$411.8 million associated with goodwill, \$38.3 million associated with indefinite-lived intangible assets and \$63.9 million related to property and equipment. These impairment charges were partially offset by \$20.6 million of adjustments recorded during the three and nine months ended September 30, 2015 to reduce the fair value of amounts payable under liability-classified contingent consideration arrangements associated with the acquisition of an E&P business in 2014. The decline in oil prices that began in late 2014, and continued into 2015 and 2016, resulted in decreased levels of oil and natural gas exploration and production activity and a corresponding decrease in demand for our E&P waste services. This decrease, together with market expectations of a likely slow recovery in oil prices, reduced the expected future period cash flows of our E&P segment, causing the fair value of the E&P segment to decrease below its carrying value. Additionally, we determined that the carrying value of certain asset groups in our E&P segment exceeded the undiscounted cash flows and were therefore not recoverable.

Operating Income (Loss). Operating income (loss) increased \$533.9 million to income of \$158.7 million for the three months ended September 30, 2016, from a loss of \$375.2 million for the three months ended September 30, 2015. The increase was attributable to the \$537.0 million increase in revenues and a \$486.1 million decrease in impairments and other operating items, partially offset by the \$335.4 million increase in costs of operations, \$69.8 million increase in SG&A expense, \$64.3 million increase in depreciation expense and \$19.7 million increase in amortization of intangibles expense.

Operating income (loss) increased \$476.4 million to income of \$313.1 million for the nine months ended September 30, 2016, from a loss of \$163.3 million for the nine months ended September 30, 2015. The increase was attributable to the \$741.9 million increase in revenues and a \$489.6 million decrease in impairments and other operating items, partially offset by the \$460.3 million increase in costs of operations, \$174.8 million increase in SG&A expense, \$92.7 million increase in depreciation expense and \$27.2 million increase in amortization of intangibles expense.

Operating income (loss) as a percentage of revenues increased 83.1 percentage points to income of 14.6% for the three months ended September 30, 2016, from a loss of 68.5% for the three months ended September 30, 2015. The increase as a percentage of revenues was comprised of an 89.5 percentage point decrease in impairments and other operating items, partially offset by a 3.8 percentage point increase in cost of operations, a 1.2 percentage point increase in amortization expense, a 1.0 percentage point increase in SG&A expense and a 0.4 percentage point increase in depreciation expense.

Operating income (loss) as a percentage of revenues increased 23.8 percentage points to income of 13.5% for the nine months ended September 30, 2016, from a loss of 10.3% for the nine months ended September 30, 2015. The increase as a percentage of revenues was comprised of a 31.0 percentage point decrease in impairments and other operating items, partially offset by a 4.0 percentage point increase in SG&A expense, a 2.1 percentage point increase in cost of operations, a 0.7 percentage point increase in amortization expense and a 0.4 percentage point increase in depreciation expense.

Interest Expense. Interest expense increased \$11.2 million, or 68.8%, to \$27.6 million for the three months ended September 30, 2016, from \$16.4 million for the three months ended September 30, 2015. The increase was primarily attributable to an increase of \$2.3 million from the August 2015 issuance of our 2022 Notes and 2025 Notes, an increase of \$5.3 million from the June 2016 issuance of our New 2021 Notes, 2023 Notes and 2026 Notes, an increase of \$0.9 million resulting from the commencement of four interest rate swaps in October 2015 totaling \$175 million with an average fixed rate of 2.34%, an increase of \$1.9 million due to higher interest rates on outstanding borrowings under our Credit Agreement, an increase of \$3.6 million due to an increase in the average borrowings outstanding under our Credit Agreement and \$0.7 million of other net increases, partially offset by a decrease of \$3.5 million for the redemption of our 2015 Notes and 2016 Notes using proceeds from the 2015 Old Waste Connections Credit Agreement which had a lower interest rate relative to the fixed interest rate in effect when the 2015 Notes and 2016 Notes were outstanding.

Interest expense increased \$17.9 million, or 37.8%, to \$65.3 million for the nine months ended September 30, 2016, from \$47.4 million for the nine months ended September 30, 2015. The increase was primarily attributable to an increase of \$10.6 million from the August 2015 issuance of our 2022 Notes and 2025 Notes, an increase of \$7.1 million from the June 2016 issuance of our New 2021 Notes, 2023 Notes and 2026 Notes, an increase of \$2.5 million resulting from the commencement of four new interest rate swaps totaling \$175 million with an average fixed rate of 2.34%, an increase of \$3.8 million due to higher interest rates on outstanding borrowings under our Credit Agreement, an increase of \$3.3 million due to an increase in the average borrowings outstanding under our Credit Agreement and \$0.4 million of other net increases, partially offset by a decrease of \$9.8 million for the redemption of our 2015 Notes and 2016 Notes using proceeds from the 2015 Old Waste Connections Credit Agreement which had a lower interest rate relative to the fixed interest rate in effect when the 2015 Notes and 2016 Notes were outstanding.

Other Income (Expense), Net. Other income (expense), net, increased \$2.0 million, to an income total of \$0.7 million for the three months ended September 30, 2016, from an expense total of \$1.3 million for the three months ended September 30, 2015. The increase was primarily attributable to an increase of \$1.6 million from investments purchased to fund our employee deferred compensation obligations and \$0.4 million of other net changes.

Other income (expense), net, increased \$1.6 million, to an income total of \$0.2 million for the nine months ended September 30, 2016, from an expense total of \$1.4 million for the nine months ended September 30, 2015. The increase was primarily attributable to an increase of \$1.9 million from investments purchased to fund our employee deferred compensation obligations and \$0.5 million of other net changes, partially offset by an increase in expenses associated with the write off of unamortized debt issuance costs of \$0.8 million.

Income Tax (Provision) Benefit. Income taxes increased \$178.5 million, to an expense total of \$42.5 million for the three months ended September 30, 2016, from a benefit total of \$136.0 million for the three months ended September 30, 2015. Income taxes increased \$151.7 million, to an expense total of \$86.7 million for the nine months ended September 30, 2016, from a benefit total of \$65.0 million for the nine months ended September 30, 2015.

Our effective tax benefit rates for the three and nine months ended September 30, 2015 were 34.6% and 30.6%, respectively. The impairment of a portion of the goodwill, indefinite-lived intangible assets and property, plant and equipment within our E&P segment resulted in the write off of \$44.4 million of assets that were not deductible for tax purposes, reducing our tax benefit during the three and nine months ended September 30, 2015 by 4.0 and 7.3 percentage points, respectively. Additionally, the impairment of the aforementioned assets within our E&P segment impacted the geographical apportionment of our state income taxes resulting in a non-recurring adjustment in our deferred tax liabilities that primarily increased our income tax benefit by \$4.2 million for the three and nine months ended September 30, 2015 and increased our tax benefit rate by 1.1 percentage points and 2.0 percentage points for the three and nine months ended September 30, 2015, respectively.

Our effective tax expense rates for the three and nine months ended September 30, 2016 were 32.3% and 34.9%, respectively. Adjusting the prior year effective tax benefit rates for the impact of the aforementioned impairment charges, the year-over-year change in our effective tax rates were primarily the result of the impact of the Progressive Waste acquisition, which resulted in changes to the jurisdictions where we do business, including some jurisdictions with tax rates less than the U.S. statutory rate, partially offset by non-deductible expenses incurred in connection with the Progressive Waste acquisition. Our effective tax rate is dependent upon the proportion of pre-tax income among the jurisdictions where we do business. As such, our effective tax rate will be subject to some variability depending upon the proportional contribution of pre-tax income across jurisdictions in any period.

## SEGMENT RESULTS

### General

No single contract or customer accounted for more than 10% of our total revenues at the consolidated or reportable segment level during the periods presented. The following tables reflect a breakdown of our revenue and inter-company eliminations for the periods indicated (dollars in thousands).

| <b>Three months ended September 30, 2016</b> |                     |                             |                         |                              |
|----------------------------------------------|---------------------|-----------------------------|-------------------------|------------------------------|
|                                              | <b>Revenue</b>      | <b>Intercompany Revenue</b> | <b>Reported Revenue</b> | <b>% of Reported Revenue</b> |
| Solid waste collection                       | \$ 760,281          | \$ (2,472)                  | \$ 757,809              | 69.9%                        |
| Solid waste disposal and transfer            | 377,998             | (144,459)                   | 233,539                 | 21.5                         |
| Solid waste recycling                        | 32,138              | (2,523)                     | 29,615                  | 2.7                          |
| E&P waste treatment, recovery and disposal   | 33,673              | (3,608)                     | 30,065                  | 2.8                          |
| Intermodal and other                         | 34,155              | (261)                       | 33,894                  | 3.1                          |
| Total                                        | <u>\$ 1,238,245</u> | <u>\$ (153,323)</u>         | <u>\$ 1,084,922</u>     | <u>100.0%</u>                |

| <b>Three months ended September 30, 2015</b> |                   |                             |                         |                              |
|----------------------------------------------|-------------------|-----------------------------|-------------------------|------------------------------|
|                                              | <b>Revenue</b>    | <b>Intercompany Revenue</b> | <b>Reported Revenue</b> | <b>% of Reported Revenue</b> |
| Solid waste collection                       | \$ 354,490        | \$ (1,250)                  | \$ 353,240              | 64.5%                        |
| Solid waste disposal and transfer            | 180,442           | (66,322)                    | 114,120                 | 20.8                         |
| Solid waste recycling                        | 12,213            | (155)                       | 12,058                  | 2.2                          |
| E&P waste treatment, recovery and disposal   | 54,695            | (3,519)                     | 51,176                  | 9.3                          |
| Intermodal and other                         | 17,344            | -                           | 17,344                  | 3.2                          |
| Total                                        | <u>\$ 619,184</u> | <u>\$ (71,246)</u>          | <u>\$ 547,938</u>       | <u>100.0%</u>                |

| Nine months ended September 30, 2016       |                     |                      |                     |                       |
|--------------------------------------------|---------------------|----------------------|---------------------|-----------------------|
|                                            | Revenue             | Intercompany Revenue | Reported Revenue    | % of Reported Revenue |
| Solid waste collection                     | \$ 1,619,827        | \$ (5,571)           | \$ 1,614,256        | 69.4%                 |
| Solid waste disposal and transfer          | 804,928             | (307,308)            | 497,620             | 21.4                  |
| Solid waste recycling                      | 60,876              | (4,554)              | 56,322              | 2.4                   |
| E&P waste treatment, recovery and disposal | 97,259              | (9,228)              | 88,031              | 3.8                   |
| Intermodal and other                       | 71,401              | (389)                | 71,012              | 3.0                   |
| Total                                      | <u>\$ 2,654,291</u> | <u>\$ (327,050)</u>  | <u>\$ 2,327,241</u> | <u>100.0%</u>         |

| Nine months ended September 30, 2015       |                     |                      |                     |                       |
|--------------------------------------------|---------------------|----------------------|---------------------|-----------------------|
|                                            | Revenue             | Intercompany Revenue | Reported Revenue    | % of Reported Revenue |
| Solid waste collection                     | \$ 1,024,078        | \$ (3,150)           | \$ 1,020,928        | 64.4%                 |
| Solid waste disposal and transfer          | 494,804             | (187,486)            | 307,318             | 19.4                  |
| Solid waste recycling                      | 35,614              | (654)                | 34,960              | 2.2                   |
| E&P waste treatment, recovery and disposal | 183,103             | (10,879)             | 172,224             | 10.9                  |
| Intermodal and other                       | 49,920              | -                    | 49,920              | 3.1                   |
| Total                                      | <u>\$ 1,787,519</u> | <u>\$ (202,169)</u>  | <u>\$ 1,585,350</u> | <u>100.0%</u>         |

Our CODM evaluates operating segment profitability and determines resource allocations based on several factors, of which the primary financial measure is segment EBITDA. We define segment EBITDA as earnings before interest, taxes, depreciation, amortization, impairments and other operating items, other income (expense) and foreign currency transaction gain (loss). Segment EBITDA is not a measure of operating income, operating performance or liquidity under GAAP and may not be comparable to similarly titled measures reported by other companies. Our management uses segment EBITDA in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments.

We manage our operations through five geographic operating segments and our E&P segment, which includes the majority of our E&P waste treatment and disposal operations. Our five geographic operating segments and our E&P segment comprise our reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. In June 2016, as a result of the Progressive Waste acquisition, described in Note 6 to our Condensed Consolidated Financial Statements, we formed two new geographic operating segments, Canada and Southern, and realigned our reporting structure at our existing Central and Eastern segments. Our segment realignment consisted of the transfer of certain operations in Texas and Louisiana from our Central segment to our Southern segment and the transfer of certain operations in Tennessee, Mississippi and Alabama from our Eastern segment to our Southern segment. The Progressive Waste acquisition did not impact our Western or E&P segments. The segment information presented herein reflects the realignment of these districts.

Under the current orientation, our Southern segment services customers located in Alabama, Arkansas, Florida, Louisiana, Mississippi, southern Oklahoma, western Tennessee and Texas; our Western segment services customers located in Alaska, California, Idaho, Montana, Nevada, Oregon, Washington and western Wyoming; our Eastern segment services customers located in Illinois, Iowa, Kentucky, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, eastern Tennessee, Vermont, Virginia, Wisconsin and the District of Columbia; our Canada segment services customers located in the provinces of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan; and our Central segment services customers located in Arizona, Colorado, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, western Texas, Utah and eastern Wyoming. The E&P segment services E&P customers located in Arkansas, Louisiana, New Mexico, North Dakota, Oklahoma, Texas, Wyoming and along the Gulf of Mexico.

Revenues, net of intercompany eliminations, for our reportable segments are shown in the following table in thousands and as a percentage of total revenues for the periods indicated:

|          | Three months ended September 30, |               |                  |               | Nine months ended September 30, |               |                    |               |
|----------|----------------------------------|---------------|------------------|---------------|---------------------------------|---------------|--------------------|---------------|
|          | 2016                             |               | 2015             |               | 2016                            |               | 2015               |               |
| Southern | \$ 279,909                       | 25.8%         | \$ 37,488        | 6.8%          | \$ 437,378                      | 18.8%         | \$ 107,983         | 6.8%          |
| Western  | 246,891                          | 22.8          | 230,454          | 42.1          | 702,556                         | 30.2          | 658,468            | 41.5          |
| Eastern  | 194,806                          | 17.9          | 93,993           | 17.1          | 445,186                         | 19.1          | 271,300            | 17.1          |
| Canada   | 177,745                          | 16.4          | -                | -             | 238,329                         | 10.3          | -                  | -             |
| Central  | 155,267                          | 14.3          | 134,110          | 24.5          | 414,874                         | 17.8          | 375,533            | 23.7          |
| E&P      | 30,304                           | 2.8           | 51,893           | 9.5           | 88,918                          | 3.8           | 172,066            | 10.9          |
|          | <u>\$1,084,922</u>               | <u>100.0%</u> | <u>\$547,938</u> | <u>100.0%</u> | <u>\$2,327,241</u>              | <u>100.0%</u> | <u>\$1,585,350</u> | <u>100.0%</u> |

Segment EBITDA for our reportable segments is shown in the following table in thousands and as a percentage of segment revenues for the periods indicated:

|                          | Three months ended September 30, |              |                   |              | Nine months ended September 30, |              |                   |              |
|--------------------------|----------------------------------|--------------|-------------------|--------------|---------------------------------|--------------|-------------------|--------------|
|                          | 2016                             |              | 2015              |              | 2016                            |              | 2015              |              |
| Southern                 | \$ 62,189                        | 22.2%        | \$ 9,730          | 26.0%        | \$ 98,906                       | 22.6%        | \$ 26,715         | 24.7%        |
| Western                  | 84,214                           | 34.1         | 76,279            | 33.1         | 237,839                         | 33.9         | 218,185           | 33.1         |
| Eastern                  | 59,019                           | 30.3         | 30,641            | 32.6         | 138,456                         | 31.1         | 87,134            | 32.1         |
| Canada                   | 64,915                           | 36.5         | -                 | -            | 88,471                          | 37.1         | -                 | -            |
| Central                  | 58,079                           | 37.4         | 50,564            | 37.7         | 154,510                         | 37.2         | 138,779           | 37.0         |
| E&P                      | 8,919                            | 29.4         | 17,541            | 33.8         | 21,953                          | 24.7         | 55,003            | 32.0         |
| Corporate <sup>(a)</sup> | (18,299)                         | -            | 2,474             | -            | (102,653)                       | -            | 4,856             | -            |
|                          | <u>\$ 319,036</u>                | <u>29.4%</u> | <u>\$ 187,229</u> | <u>34.2%</u> | <u>\$ 637,482</u>               | <u>27.4%</u> | <u>\$ 530,672</u> | <u>33.5%</u> |

(a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other administrative functions. Amounts reflected are net of allocations to the six operating segments. Unallocated corporate overhead for the nine months ended September 30, 2016 includes direct acquisition costs associated with the Progressive Waste acquisition, severance-related expenses payable to Progressive Waste personnel, executive officer and key employee synergy bonus, excise taxes on corporate officer and Board of Directors' equity-compensation holdings paid by New Waste Connections and equity-based compensation expenses associated with Progressive Waste's equity-based compensation plans continued by New Waste Connections.

A reconciliation of segment EBITDA to Income before income tax provision is included in Note 9 to our Condensed Consolidated Financial Statements included in Part 1, Item 1 of this report.

Significant changes in revenue and segment EBITDA for our reportable segments for the three and nine month periods ended September 30, 2016, compared to the three and nine month periods ended September 30, 2015, are discussed below:

#### Segment Revenue

Revenue in our Southern segment increased \$242.4 million, or 646.7%, to \$279.9 million for the three months ended September 30, 2016, from \$37.5 million for the three months ended September 30, 2015. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the three months ended September 30, 2015, of \$240.1 million, solid waste volume increases of \$1.0 million primarily from volume increases in residential collection, roll off collection and transfer station, net price increases of \$1.0 million and other revenue increases of \$0.3 million.

Revenue in our Southern segment increased \$329.4 million, or 305.0%, to \$437.4 million for the nine months ended September 30, 2016, from \$108.0 million for the nine months ended September 30, 2015. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the nine months ended September 30, 2015, of \$321.4 million, solid waste volume increases of \$4.6 million primarily from volume increases in residential collection, roll off collection, transfer station and landfill municipal solid waste and net price increases of \$3.4 million.

Revenue in our Western segment increased \$16.4 million, or 7.1%, to \$246.9 million for the three months ended September 30, 2016, from \$230.5 million for the three months ended September 30, 2015. The components of the increase consisted of solid waste volume increases of \$10.7 million associated with residential collection, commercial collection, roll off collection, transfer station, landfill municipal solid waste and landfill special waste, net price increases of \$2.9 million, increased recyclable commodity sales of \$1.3 million resulting from improvements in the price of recyclable commodities, net revenue growth from acquisitions and divestitures closed during, or subsequent to, the three months ended September 30, 2015, of \$1.0 million and increased intermodal revenues of \$0.5 million resulting from higher intermodal cargo volume.

Revenue in our Western segment increased \$44.1 million, or 6.7%, to \$702.6 million for the nine months ended September 30, 2016, from \$658.5 million for the nine months ended September 30, 2015. The components of the increase consisted of solid waste volume increases of \$32.2 million associated with volume increases in residential collection, commercial collection, roll off collection, transfer station, landfill municipal solid waste and landfill special waste, net price increases of \$9.5 million and net revenue growth from acquisitions and divestitures closed during, or subsequent to, the nine months ended September 30, 2015, of \$2.9 million, partially offset by decreases of \$0.5 million from reduced E&P disposal volumes at our solid waste landfills.

Revenue in our Eastern segment increased \$100.8 million, or 107.3%, to \$194.8 million for the three months ended September 30, 2016, from \$94.0 million for the three months ended September 30, 2015. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the three months ended September 30, 2015, of \$98.1 million, net price increases of \$2.5 million and other revenue increases of \$0.2 million.

Revenue in our Eastern segment increased \$173.9 million, or 64.1%, to \$445.2 million for the nine months ended September 30, 2016, from \$271.3 million for the nine months ended September 30, 2015. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the nine months ended September 30, 2015, of \$164.9 million, net price increases of \$7.9 million and solid waste volume increases of \$1.3 million primarily from volume increases in roll off collection, transfer station and landfill special waste exceeding volume decreases in residential collection, partially offset by other revenue decreases of \$0.2 million.

Revenue in our Canada segment was \$177.7 million and \$238.3 million for the three and nine months ended September 30, 2016, respectively. Our Canada segment was formed in conjunction with the Progressive Waste acquisition on June 1, 2016; therefore, we did not recognize revenue in this segment prior to the close of the Progressive Waste acquisition.

Revenue in our Central segment increased \$21.2 million, or 15.8%, to \$155.3 million for the three months ended September 30, 2016, from \$134.1 million for the three months ended September 30, 2015. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the three months ended September 30, 2015, of \$21.6 million, net price increases of \$4.8 million and other revenue increases of \$0.2 million, partially offset by solid waste volume decreases of \$5.4 million primarily from declines in residential collection, roll off collection, transfer station and landfill special waste.

Revenue in our Central segment increased \$39.4 million, or 10.5%, to \$414.9 million for the nine months ended September 30, 2016, from \$375.5 million for the nine months ended September 30, 2015. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the nine months ended September 30, 2015, of \$31.6 million, net price increases of \$14.4 million and other revenue increases of \$0.3 million, partially offset by solid waste volume decreases of \$4.8 million resulting from volume decreases in residential collection, transfer station and landfill special waste and decreases of \$2.1 million from reduced E&P disposal volumes at our solid waste landfills.

Revenue in our E&P segment decreased \$21.6 million, or 41.6%, to \$30.3 million for the three months ended September 30, 2016, from \$51.9 million for the three months ended September 30, 2015. The components of the decrease consisted of \$21.0 million from reduced E&P volumes, \$0.5 million from reduced solid waste volumes at non-E&P operations managed by our E&P segment and other revenue decreases of \$0.1 million. Revenue in our E&P segment decreased \$83.2 million, or 48.3%, to \$88.9 million for the nine months ended September 30, 2016, from \$172.1 million for the nine months ended September 30, 2015. The components of the decrease consisted of \$81.3 million from reduced E&P volumes, \$1.8 million from reduced solid waste volumes at non-E&P operations managed by our E&P segment and other revenue decreases of \$0.1 million. During the three and nine months ended September 30, 2016, our E&P segment was adversely affected by the substantial reductions in crude oil prices that began in October 2014, and continued through 2015 and 2016, resulting in a decline in the level of drilling and production activity, reducing the demand for E&P waste services in the basins in which we operate. The ongoing impact of the aforementioned reduction in the price of crude oil is expected to contribute to a decline in revenue at our E&P segment in 2016 of approximately 45% from 2015 levels.

#### Segment EBITDA

Segment EBITDA in our Southern segment increased \$52.5 million, or 539.1%, to \$62.2 million for the three months ended September 30, 2016, from \$9.7 million for the three months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$242.4 million, partially offset by a net \$188.5 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$1.1 million due primarily to employee pay rate increases and \$0.3 million of other net expense increases.

Segment EBITDA in our Southern segment increased \$72.2 million, or 270.2%, to \$98.9 million for the nine months ended September 30, 2016, from \$26.7 million for the nine months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$329.4 million, partially offset by a net \$252.8 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$2.9 million due primarily to employee pay rate increases, an increase in truck, container, equipment and facility maintenance and repair expenses of \$0.9 million due to variability in the timing and severity of major repairs and \$0.6 million of other net expense increases.

The Progressive Waste acquisition contributed \$239.6 million of revenue and \$51.6 million of EBITDA to our Southern segment for the three months ended September 30, 2016. The Progressive Waste acquisition contributed \$319.8 million of revenue and \$68.3 million of EBITDA to our Southern segment for the nine months ended September 30, 2016. The reported EBITDA amounts include charges for allocated corporate overhead.

Segment EBITDA in our Western segment increased \$7.9 million, or 10.4%, to \$84.2 million for the three months ended September 30, 2016, from \$76.3 million for the three months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$16.4 million, a decrease in corporate overhead expense allocations of \$1.5 million due to a lower overhead allocation rate and a reduction in professional fees of \$0.5 million associated with prior year expenses related to new contracts and regulatory compliance, partially offset by an increase in employee benefits expenses of \$2.7 million due to increased medical claims costs, an increase in direct and administrative labor and benefits expenses of \$2.4 million due primarily to employee pay rate increases and increased headcount to support revenue volume increases, an increase in third-party disposal expense of \$1.8 million due to increased collection volumes and disposal rate increases, an increase in taxes on revenues of \$1.2 million due to increased revenues, an increase in truck, container, equipment and facility maintenance and repair expenses of \$1.0 million due to variability in the timing and severity of major repairs, an increase in expenses for uncollectable accounts receivable of \$0.7 million due primarily to a large intermodal customer filing for bankruptcy and \$0.7 million of other net expense increases.

Segment EBITDA in our Western segment increased \$19.6 million, or 9.0%, to \$237.8 million for the nine months ended September 30, 2016, from \$218.2 million for the nine months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$44.1 million, a decrease in fuel expense of \$1.9 million due to lower market prices for diesel fuel not purchased under diesel fuel hedges, a reduction in professional fees of \$1.5 million associated with prior year expenses related to new contracts and regulatory compliance and a decrease in corporate overhead expense allocations of \$0.9 million due to a lower overhead allocation rate, partially offset by an increase in direct and administrative labor expenses of \$8.9 million due primarily to employee pay rate increases and increased headcount to support revenue volume increases, an increase in taxes on revenues of \$5.3 million due to increased revenues, an increase in third-party disposal expense of \$3.8 million due to increased collection volumes and disposal rate increases, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.7 million due to variability in the timing and severity of major repairs, an increase in employee benefits expenses of \$3.9 million due to increased medical claims costs, an increase in third-party trucking and transportation expenses of \$1.2 million due to increased disposal volumes that require transportation to our landfills, an increase in expenses for uncollectable accounts receivable of \$0.9 million due primarily to a large intermodal customer filing for bankruptcy, an increase in the cost to purchase recyclable commodities of \$0.7 million and \$1.4 million of other net expense increases.

Segment EBITDA in our Eastern segment increased \$28.4 million, or 92.6%, to \$59.0 million for the three months ended September 30, 2016, from \$30.6 million for the three months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$100.8 million, a decrease in corporate overhead expense allocations of \$1.6 million due to a lower overhead allocation rate, a decrease in third party disposal expenses of \$1.3 million due primarily to increased internal disposal of waste at our transfer stations and landfills in the Albany, NY market, a decrease in expenses for auto and workers' compensation claims of \$0.9 million due to improved safety results and a decrease in expenses for uncollectable accounts receivable of \$0.8 million due primarily to the recovery of a receivable that was reserved as uncollectible in a prior period, partially offset by a net \$73.1 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in employee benefits expenses of \$1.6 million due to increased medical claims costs, an increase in direct and administrative labor expenses of \$1.2 million due primarily to employee pay rate increases, an increase in third-party trucking and transportation expenses of \$1.0 million due to increased disposal volumes that require transportation to our landfills and increased headcount to support internal growth and \$0.1 million of other net expense increases.

Segment EBITDA in our Eastern segment increased \$51.4 million, or 58.9%, to \$138.5 million for the nine months ended September 30, 2016, from \$87.1 million for the nine months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$173.9 million, a decrease in fuel expense of \$1.9 million due to lower market prices for diesel fuel not purchased under diesel fuel hedge agreements, a decrease in corporate overhead expense allocations of \$2.1 million due to a lower overhead allocation rate, a decrease in expenses for auto and workers' compensation claims of \$1.2 million due to improved safety results, a decrease in third party disposal expenses of \$1.1 million due primarily to increased internal disposal of waste at our transfer stations and landfills in the Albany, NY market, a decrease in expenses for uncollectable accounts receivable of \$0.9 million due primarily to the recovery of a receivable that was reserved as uncollectible in a prior period and \$0.7 million of other net expense decreases, partially offset by a net \$120.2 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$3.2 million due primarily to employee pay rate increases and increased headcount to support internal growth, an increase in employee benefits expenses of \$2.4 million due to increased medical claims costs, an increase in third-party trucking and transportation expenses of \$2.0 million due to increased landfill special waste volumes and transfer station volumes that require us to be responsible for the costs of transporting the waste to our disposal operations, an increase in taxes on revenues of \$1.6 million due primarily to a new landfill site that commenced operations in 2015 and an increase in truck, container, equipment and facility maintenance and repair expenses of \$1.0 million due to variability in the timing and severity of major repairs.

The Progressive Waste acquisition contributed \$77.0 million of revenue and \$18.7 million of EBITDA to our Eastern segment for the three months ended September 30, 2016. The Progressive Waste acquisition contributed \$104.0 million of revenue and \$26.2 million of EBITDA to our Eastern segment for the nine months ended September 30, 2016. The reported EBITDA amounts include charges for allocated corporate overhead.

Segment EBITDA in our Canada segment was \$64.9 million for the three months ended September 30, 2016. Our Canada segment was formed in conjunction with the Progressive Waste acquisition on June 1, 2016; therefore, we did not report EBITDA for this segment prior to the close of the Progressive Waste acquisition. The segment EBITDA was comprised of \$177.7 million of acquired revenues, less the following expenses: direct labor and related benefits expenses of \$35.6 million; disposal expenses of \$20.3 million; SG&A and allocated corporate overhead expenses of \$23.4 million; truck, container, equipment and facility maintenance and repair expenses of \$9.9 million; third-party trucking and transportation expenses of \$7.4 million; fuel expenses of \$5.9 million; expenses related to the purchase and processing of recyclable commodities of \$1.5 million; auto and workers' compensation expenses of \$3.0 million; and \$5.8 million of all other net expenses.

Segment EBITDA in our Canada segment was \$88.5 million for the nine months ended September 30, 2016. The segment EBITDA was comprised of \$238.3 million of acquired revenues, less the following expenses: direct labor and related benefits expenses of \$47.9 million; disposal expenses of \$26.5 million; SG&A and allocated corporate overhead expenses of \$27.9 million; truck, container, equipment and facility maintenance and repair expenses of \$13.2 million; third-party trucking and transportation expenses of \$10.1 million; fuel expenses of \$8.1 million; expenses related to the purchase and processing of recyclable commodities of \$2.7 million; auto and workers' compensation expenses of \$4.0 million; and \$9.4 million of all other net expenses.

Segment EBITDA in our Central segment increased \$7.5 million, or 14.9%, to \$58.1 million for the three months ended September 30, 2016, from \$50.6 million for the three months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$21.2 million, a decrease in fuel expense of \$1.1 million due to lower market prices for diesel fuel not purchased under diesel fuel hedge agreements, a decrease in corporate overhead expense allocations of \$1.0 million due to a lower overhead allocation rate and a \$0.5 million decrease in legal expenses due to the resolution of certain third-party claims subsequent to the prior year period, partially offset by a net \$13.5 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in employee benefits expenses of \$2.1 million due to increased medical claims costs, an increase in direct and administrative labor expenses of \$0.6 million due primarily to employee pay rate increases and \$0.1 million of other net expense increases.

Segment EBITDA in our Central segment increased \$15.7 million, or 11.3%, to \$154.5 million for the nine months ended September 30, 2016, from \$138.8 million for the nine months ended September 30, 2015. The increase was due primarily to an increase in revenues of \$39.4 million, a decrease in fuel expense of \$3.4 million due to lower market prices for diesel fuel not purchased under diesel fuel hedge agreements, a \$1.1 million decrease in legal expenses due to the resolution of certain third-party claims subsequent to the prior year period and a decrease in corporate overhead expense allocations of \$0.9 million due to a lower overhead allocation rate, partially offset by a net \$19.6 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$3.2 million due primarily to employee pay rate increases, an increase in employee benefits expenses of \$3.6 million due to increased medical claims costs, an increase in truck, container, equipment and facility maintenance and repair expenses of \$1.4 million due to variability in the timing and severity of major repairs and \$1.3 million of other net expense increases.

The Progressive Waste acquisition contributed \$18.8 million of revenue and \$6.3 million of EBITDA to our Central segment for the three months ended September 30, 2016. The Progressive Waste acquisition contributed \$24.9 million of revenue and \$8.2 million of EBITDA to our Central segment for the nine months ended September 30, 2016. The reported EBITDA amounts include charges for allocated corporate overhead.

Segment EBITDA in our E&P segment decreased \$8.6 million, or 49.2%, to \$8.9 million for the three months ended September 30, 2016, from \$17.5 million for the three months ended September 30, 2015. The decrease was due primarily to a \$21.6 million decrease in revenues, partially offset by a decrease in corporate overhead expense allocations of \$1.4 million due primarily to declines in revenue and a lower overhead allocation rate, decreased fuel expenses of \$0.5 million due primarily to decreases in the price of diesel fuel and the following changes attributable to a reduction in our operations and headcount resulting from the decline in the level of drilling and production activity: decreased employee wage and benefits expenses of \$4.6 million, decreased third-party trucking and transportation expenses of \$1.7 million, decreased equipment repair expenses of \$1.1 million, decreased cell processing and third party contractor services of \$0.5 million, decreased employee travel expenses of \$0.4 million, decreased disposal expenses of \$0.4 million, decreased royalties on revenue of \$0.3 million, decreased landfill operating supplies of \$0.3 million, decreased equipment rental expenses of \$0.2 million and \$1.6 million of other expense decreases.

Segment EBITDA in our E&P segment decreased \$33.0 million, or 60.1%, to \$22.0 million for the nine months ended September 30, 2016, from \$55.0 million for the nine months ended September 30, 2015. The decrease was due primarily to a \$83.2 million decrease in revenues, partially offset by decreased expenses of \$5.0 million associated with costs incurred during the nine months ended September 30, 2015 for site clean-up and remediation work associated with flooding and other surface damage at two of our E&P disposal sites in New Mexico resulting from heavy precipitation affecting the sites, a decrease of \$1.5 million in expenses resulting from start-up costs incurred during the nine months ended September 30, 2015 at two new E&P disposal facilities, a decrease in corporate overhead expense allocations of \$3.3 million due primarily to declines in revenue and a lower overhead allocation rate, decreased fuel expenses of \$2.0 million due primarily to decreases in the price of diesel fuel and the following changes attributable to a reduction in our operations and headcount resulting from the decline in the level of drilling and production activity: decreased employee wage and benefits expenses of \$13.9 million, decreased third-party trucking and transportation expenses of \$6.7 million, decreased cell processing and third party contractor services of \$3.5 million, decreased equipment repair expenses of \$3.4 million, decreased equipment rental expenses of \$2.2 million, decreased landfill operating supplies of \$1.6 million, decreased employee travel expenses of \$1.5 million, decreased royalties on revenues of \$1.1 million, decreased disposal expenses of \$1.0 million and \$3.5 million of other expense decreases.

Segment EBITDA at Corporate decreased \$20.8 million, to a loss of \$18.3 million for the three months ended September 30, 2016, from income of \$2.5 million for the three months ended September 30, 2015. The loss was due to an increase of \$4.8 million resulting from severance-related expenses payable to Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the Progressive Waste acquisition, an increase in equity-based compensation expenses of \$4.5 million resulting from time-lapse vesting and changes to the fair value of awards granted by Progressive Waste prior to the June 1, 2016 closing of the Progressive Waste acquisition to employees of Progressive Waste who were retained as employees of New Waste Connections following the closing and which awards were continued by New Waste Connections, an increase of \$5.4 million resulting from employee relocation expenses and professional fees incurred to integrate the operations of Progressive Waste into New Waste Connections, an increase of \$5.3 million resulting from the accrual of incentive compensation expenses to certain of our executive officers and key employees related to the achievement of defined synergy goals realized by New Waste Connections from the acquisition of Progressive Waste, an increase in accrued recurring cash incentive compensation expense to our management of \$3.3 million due to our solid waste segments exceeding their collective financial targets in 2016 and the addition of accrued cash incentive compensation expense for the retained Progressive Waste employees, an increase in payroll expenses and employee benefits of \$2.8 million due to increased corporate headcount to support the operations of Progressive Waste, annual compensation increases and expenses associated with corporate employees of Progressive Waste continuing to provide services to us over a short-term transition period, an increase in legal, accounting and information technology professional fee expenses of \$2.5 million due to increased support required as a result of growth from the acquisition of Progressive Waste, an increase in deferred compensation expense of \$1.4 million resulting from deferred compensation liabilities to employees increasing as a result of increases in the market value of investments to which employee deferred compensation balances are tracked, an increase in corporate travel, meetings and training expenses of \$1.2 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in real estate rent expense of \$0.3 million due primarily to expenses incurred for duplicative corporate headquarters utilized by Progressive Waste which we expect to vacate and sublease in 2017 and \$1.2 million of other net expense increases, partially offset by an increase in corporate overhead allocated to our segments of \$11.9 million due to an increase in total corporate expenses to support the operations acquired in the Progressive Waste acquisition. During the three months ended September 30, 2016, the allocation rate for charging corporate overhead to our segments was 2.75% of budgeted revenues, a decrease from 3.50% for the three months ended September 30, 2015, as a result of allocating our total corporate expenses over a larger group of operations resulting from the Progressive Waste acquisition.

Segment EBITDA at Corporate decreased \$107.6 million, to a loss of \$102.7 million for the nine months ended September 30, 2016, from income of \$4.9 million for the nine months ended September 30, 2015. The loss was due to an increase in direct acquisition costs of \$31.0 million attributable primarily to the Progressive Waste acquisition, an increase of \$24.2 million resulting from severance-related expenses payable to Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the Progressive Waste acquisition, an increase of \$14.5 million from New Waste Connections paying excise taxes levied on the unvested or vested and undistributed equity-compensation holdings of our corporate officers and members of our Board of Directors resulting from the Progressive Waste acquisition, an increase in equity-based compensation expenses of \$9.8 million resulting from time-lapse vesting and changes to the fair value of awards granted by Progressive Waste prior to the June 1, 2016 closing of the Progressive Waste acquisition to employees of Progressive Waste who were retained as employees of New Waste Connections following the closing and which awards were continued by New Waste Connections, an increase in equity-based compensation expenses of \$8.0 million related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated due to plan provisions regarding a change in control followed by termination of employment, an increase in equity-based compensation expenses of \$2.3 million resulting from the acceleration of vesting of performance share units granted to Old Waste Connections' management in 2014 and 2015, an increase of \$5.8 million resulting from employee relocation expenses and professional fees incurred to integrate the operations of Progressive Waste into New Waste Connections, an increase of \$5.3 million resulting from the accrual of incentive compensation expenses to certain of our executive officers and key employees related to the achievement of defined synergy goals realized by New Waste Connections from the acquisition of Progressive Waste, an increase in accrued recurring cash incentive compensation expense to our management of \$5.1 million due to our solid waste segments exceeding their collective financial targets in 2016 and the addition of four months of accrued cash incentive compensation expense for the retained Progressive Waste employees, an increase in payroll expenses and employee benefits of \$5.1 million due to increased corporate headcount to support the operations of Progressive Waste, annual compensation increases and expenses associated with corporate employees of Progressive Waste continuing to provide services to us over a short-term transition period, an increase in legal, accounting and information technology professional fee expenses of \$4.6 million due to increased support required as a result of growth from the acquisition of Progressive Waste, an increase in corporate travel, meetings and training expenses of \$1.9 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in deferred compensation expense of \$1.5 million resulting from deferred compensation liabilities to employees increasing as a result of increases in the market value of investments to which employee deferred compensation balances are tracked, an increase in equity-based compensation expenses of \$0.9 million associated with our annual recurring grant of restricted share units to our personnel, an increase in real estate rent expense of \$0.6 million due primarily to expenses incurred for duplicative corporate headquarters utilized by Progressive Waste which we expect to vacate and sublease in 2017 and \$3.4 million of other net expense increases, partially offset by an increase in corporate overhead allocated to our segments of \$16.4 million due to an increase in total corporate expenses to support the operations acquired in the Progressive Waste acquisition. During the nine months ended September 30, 2016, the allocation rate for charging corporate overhead to our segments was 3.0% of budgeted revenues, a decrease from 3.5% for the nine months ended September 30, 2015, as a result of allocating our total corporate expenses over a larger group of operations resulting from the Progressive Waste acquisition.

## LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth certain cash flow information for the nine month periods ended September 30, 2016 and 2015 (in thousands):

|                                                                | Nine Months Ended<br>September 30, |            |
|----------------------------------------------------------------|------------------------------------|------------|
|                                                                | 2016                               | 2015       |
| Net cash provided by operating activities                      | \$ 538,831                         | \$ 463,328 |
| Net cash used in investing activities                          | (153,047)                          | (276,997)  |
| Net cash used in financing activities                          | (276,940)                          | (177,131)  |
| Effect of foreign currency translation on cash and equivalents | (483)                              | -          |
| Net increase in cash and equivalents                           | 108,361                            | 9,200      |
| Cash and equivalents at beginning of period                    | 10,974                             | 14,353     |
| Cash and equivalents at end of period                          | \$ 119,335                         | \$ 23,553  |

## Operating Activities Cash Flows

For the nine months ended September 30, 2016, net cash provided by operating activities was \$538.8 million. For the nine months ended September 30, 2015, net cash provided by operating activities was \$463.3 million. The \$75.5 million increase was due primarily to the following:

- 1) An increase in net income of \$308.7 million, adjusted for a decrease in cash flows from operating assets and liabilities, net of effects from closed acquisitions, of \$78.1 million. Cash flows from changes in operating assets and liabilities, net of effects from acquisitions, was a cash outflow of \$19.6 million for the nine months ended September 30, 2016 and a cash inflow of \$58.5 million for the nine months ended September 30, 2015. The significant components of the \$19.6 million in net cash outflows from changes in operating assets and liabilities, net of effects from closed acquisitions, for the nine months ended September 30, 2016, include the following:
  - a) an increase in cash resulting from a \$4.1 million increase in deferred revenue due primarily to increased solid waste collection revenues and the timing of billing for those services; less
  - b) a decrease in cash resulting from a \$3.7 million decrease in accounts payable and accrued liabilities due primarily to the payment of \$32.7 million of direct acquisition costs incurred by Progressive Waste prior to June 1, 2016 that were assumed by us in conjunction with the acquisition, partially offset by an increase in amounts payable under our corporate procurement card program, an increase in accrued payroll-related expenses due to the timing of our bi-weekly payroll cycles, an increase in accrued interest due to the timing of interest payments under our note agreements and an increase in accrued management bonuses; less
  - c) a decrease in cash resulting from an \$11.2 million increase in accounts receivable due to seasonally increased revenues, without improved collection results, contributing to a higher amount of revenues remaining uncollected at the end of the comparable periods; less
  - d) a decrease in cash resulting from a \$8.2 million increase in prepaid expenses and other current assets due primarily to increases in prepaid income taxes and prepaid insurance premiums;
- 2) An increase in depreciation expense of \$92.7 million due primarily to increased depreciation expense resulting from increased capital expenditures and property, equipment and landfill assets acquired in the Progressive Waste acquisition;
- 3) An increase in amortization expense of \$27.3 million due primarily to intangible assets acquired in the Progressive Waste acquisition;
- 4) An increase in equity-based compensation expense of \$21.0 million due primarily to an increase in the total fair value of our annual recurring grant of restricted share units and performance share units to our personnel, expenses associated from time-lapse vesting and changes to the fair value of equity-based compensation awards granted to Progressive Waste employees prior to the June 1, 2016 acquisition date that continued to remain outstanding following the close of the Progressive Waste acquisition and the acceleration of vesting of performance share units granted to Old Waste Connections' management in 2014 and 2015;
- 5) An increase of \$17.3 million attributable to post-closing adjustments resulting in a net decrease in the fair value of amounts payable under liability-classified contingent consideration arrangements primarily associated with the 2014 acquisition of an E&P disposal company;
- 6) An increase in our provision for deferred taxes of \$197.8 million due primarily to tax deductible timing differences associated with depreciation and the prior year impairment charge in our E&P segment resulting in the reduction of corresponding deferred tax liabilities; less
- 7) A decrease in the loss on disposal of assets and impairments of \$510.3 million due primarily to the prior year impairment of a portion of our goodwill, indefinite-lived intangible assets and property, plant and equipment within our E&P segment; less
- 8) A decrease of \$3.2 million attributable to an increase in the excess tax benefits associated with equity-based compensation, due to an increase in taxable income recognized by employees from equity-based compensation that is tax deductible to us.

As of September 30, 2016, we had a working capital surplus of \$95.4 million, including cash and equivalents of \$119.3 million. Our working capital surplus increased \$111.2 million from a working capital deficit of \$15.8 million at December 31, 2015, including cash and equivalents of \$11.0 million, due primarily to increased cash balances, increased prepaid income taxes and the inclusion of working capital acquired in the Progressive Waste acquisition. To date, we have experienced no loss or lack of access to our cash or cash equivalents; however, we can provide no assurances that access to our cash and cash equivalents will not be impacted by adverse conditions in the financial markets. Our strategy in managing our working capital is generally to apply the cash generated from our operations that remains after satisfying our working capital and capital expenditure requirements, along with share repurchase and dividend programs, to reduce the unhedged portion of our indebtedness under our Credit Agreement and to minimize our cash balances.

### Investing Activities Cash Flows

Net cash used in investing activities decreased \$124.0 million to \$153.0 million for the nine months ended September 30, 2016, from \$277.0 million for the nine months ended September 30, 2015. The significant components of the decrease include the following:

- 1) A decrease in cash paid for acquisitions of \$98.4 million; and
- 2) Cash acquired in the Progressive Waste acquisition of \$65.7 million; less
- 3) An increase in capital expenditures for property and equipment of \$36.6 million.

Total consideration for the Progressive Waste acquisition consisted of the issuance of common shares and assumption of Progressive Waste's debt and other liabilities. We did not transfer cash consideration to the former shareholders of Progressive Waste. Progressive Waste had cash balances totaling \$65.7 million, which we acquired upon the close of the acquisition.

The increase in capital expenditures for property and equipment was due primarily to increases in expenditures for collection trucks and expenditures resulting from the November 2015 acquisition of Rock River Environmental Services, Inc. and the 2016 Progressive Waste acquisition, less a decrease in expenditures for new capital projects at our E&P operations.

### Financing Activities Cash Flows

Net cash used in financing activities increased \$99.8 million to \$276.9 million for the nine months ended September 30, 2016, from \$177.1 million for the nine months ended September 30, 2015. The significant components of the increase include the following:

- 1) An increase in net repayments of long-term borrowings of \$178.5 million due primarily to increased cash provided from operations, cash acquired in the Progressive Waste acquisition, reduced proceeds from borrowings to fund payments for acquisitions and reduced proceeds from borrowings to fund payments to repurchase our common shares exceeding increased borrowings to fund capital expenditures and increases to end of period cash balances;
- 2) An increase in payments of contingent consideration recorded at acquisition date of \$11.9 million due primarily to the payout of the fair value of a contingent liabilities associated with the expansion of an acquired construction and demolition landfill, obtaining a permit to construct and operate a new E&P landfill operation and a solid waste acquisition achieving required earnings targets;
- 3) An increase in payments for debt issuance costs of \$6.9 million resulting primarily from our Credit Agreement that we entered into in June 2016 in conjunction with the Progressive Waste acquisition; and
- 4) An increase in cash dividends paid of \$12.8 million due primarily to an increase in our quarterly dividend rate to \$0.145 per share for the nine months ended September 30, 2016, from \$0.13 per share for the nine months ended September 30, 2015, and an increase in common shares outstanding resulting from the acquisition of Progressive Waste; less
- 5) A decrease in payments to repurchase our common shares of \$91.2 million due to no shares being repurchased during the nine months ended September 30, 2016; less
- 6) An increase of \$15.3 million from the sale of common shares held in trust; less
- 7) An increase of \$6.0 million from an increase in book overdraft due to a higher volume of outstanding checks resulting from the acquisition of Progressive Waste.

Our business is capital intensive. Our capital requirements include acquisitions and capital expenditures for landfill cell construction, landfill development, landfill closure activities and intermodal facility construction in the future.

On July 19, 2016, our Board of Directors approved, subject to receipt of regulatory approvals, undertaking a normal course issuer bid (the "NCIB") to purchase up to 8,770,732 of our common shares for a one-year period that expires on August 7, 2017. We received TSX approval of the NCIB on August 3, 2016. Under the NCIB, we may make share repurchases only in the open market, including on the NYSE, the TSX, and alternative Canadian trading systems, at the prevailing market price at the time of the transaction.

In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems would be limited to a maximum of 60,150 common shares, which represents 25% of the average daily trading volume on the TSX of 240,601 common shares for the period from June 1, 2016 to July 31, 2016, being the whole calendar month periods that our shares traded on the TSX from the June 1, 2016 closing of the Progressive Waste acquisition to the date we filed our NCIB application with the TSX. The TSX rules also allow us to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases.

The timing and amounts of any repurchases pursuant to the NCIB will depend on many factors, including our capital structure, the market price of the common shares and overall market conditions. All common shares purchased under the NCIB shall be immediately cancelled following their repurchase.

For the nine months ended September 30, 2016, we did not repurchase any common shares pursuant to the NCIB or other share repurchase programs. For the nine-month period ended September 30, 2015, Old Waste Connections repurchased 1,962,989 shares of common stock at an aggregate cost of \$91.2 million. As of September 30, 2015, Old Waste Connections held 1,050,820 shares of treasury stock at a cost of \$49.5 million. These shares were retired in October 2015.

The Board of Directors of Old Waste Connections authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. Cash dividends of \$61.0 million and \$48.2 million were paid during the nine months ended September 30, 2016 and 2015, respectively. In October 2016, our Board of Directors authorized an increase to our regular quarterly cash dividend of \$0.035, from \$0.145 to \$0.18 per share. We cannot assure you as to the amounts or timing of future dividends.

We made \$204.9 million in capital expenditures during the nine months ended September 30, 2016. We expect to make capital expenditures of approximately \$335 million in 2016 in connection with our existing business. We have funded and intend to fund the balance of our planned 2016 capital expenditures principally through cash on hand, internally generated funds and borrowings under our Credit Agreement. In addition, we may make substantial additional capital expenditures in acquiring MSW and E&P waste businesses. If we acquire additional landfill disposal facilities, we may also have to make significant expenditures to bring them into compliance with applicable regulatory requirements, obtain permits or expand our available disposal capacity. We cannot currently determine the amount of these expenditures because they will depend on the number, nature, condition and permitted status of any acquired landfill disposal facilities. We believe that our cash and equivalents, Credit Agreement and the funds we expect to generate from operations will provide adequate cash to fund our working capital and other cash needs for the foreseeable future. However, disruptions in the capital and credit markets could adversely affect our ability to draw on our Credit Agreement or raise other capital. Our access to funds under the Credit Agreement is dependent on the ability of the banks that are parties to the agreement to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time.

On June 1, 2016, we assumed \$1.73 billion of debt in the Progressive Waste acquisition consisting of \$1.66 billion of amounts outstanding under Progressive Waste's prior Amended and Restated Credit Agreement, dated as of June 30, 2015, among Progressive Waste, Bank of America, N.A., acting through its Canada branch, as global agent, Bank of America, N.A., as the U.S. agent, and the other lenders and financial institutions party thereto (the "2015 Progressive Waste Credit Agreement"), \$64.0 million of tax-exempt bonds and \$5.8 million of other long-term debt.

On June 1, 2016, we terminated the 2015 Progressive Waste Credit Agreement. Also on June 1, 2016, Old Waste Connections terminated a Revolving Credit and Term Loan Agreement, dated as of January 26, 2015, by and among Old Waste Connections, Bank of America, N.A., as the administrative agent and swing line lender and letter of credit issuer, and certain lenders and other financial institutions party thereto (the "2015 Old Waste Connections Credit Agreement," and together with the 2015 Progressive Waste Credit Agreement, the "Prior Credit Agreements").

On June 1, 2016, we also entered into several financing agreements, including a Revolving Credit and Term Loan Agreement (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement") with Bank of America, N.A., acting through its Canada Branch, as global agent, the swing line lender and letter of credit issuer, Bank of America, N.A., as the U.S. Agent and an letter of credit issuer, the lenders (the "Lenders") and any other financial institutions from time to time party thereto and a Master Note Purchase Agreement (as amended, restated, amended and restated, assumed, supplemented or modified from time to time, the "2016 NPA") with certain accredited institutional investors, as more fully described below. Proceeds from the borrowings under the Credit Agreement were used initially to refinance our indebtedness under the Prior Credit Agreements and for the payment of transaction fees and expenses related to the Progressive Waste acquisition. We used proceeds from the sale of the 2016 Notes to refinance existing indebtedness and for general corporate purposes. See Note 8 to our Condensed Consolidated Financial Statements for further details on the new debt agreements.

As of September 30, 2016, \$1.638 billion under the term loan and \$357.9 million under the revolving credit facility were outstanding under our Credit Agreement, exclusive of outstanding standby letters of credit of \$247.9 million. Our Credit Agreement matures in June 2021.

As of September 30, 2016, we had the following contractual obligations:

| Recorded Obligations                    | Payments Due by Period |                     |                 |              |                 |
|-----------------------------------------|------------------------|---------------------|-----------------|--------------|-----------------|
|                                         | (amounts in thousands) |                     |                 |              |                 |
|                                         | Total                  | Less Than<br>1 Year | 1 to 3<br>Years | 3 to 5 Years | Over 5<br>Years |
| Long-term debt                          | \$ 3,680,316           | \$ 1,624            | \$ 68,889       | \$ 2,423,163 | \$ 1,186,640    |
| Cash interest payments                  | \$ 608,524             | \$ 102,581          | \$ 204,029      | \$ 166,073   | \$ 135,841      |
| Contingent consideration                | \$ 71,740              | \$ 24,678           | \$ 4,631        | \$ 7,369     | \$ 35,062       |
| Final capping, closure and post-closure | \$ 1,455,700           | \$ 13,131           | \$ 11,824       | \$ 19,275    | \$ 1,411,470    |

Long-term debt payments include:

- 1) \$357.9 million in principal payments due June 2021 related to our revolving credit facility under our Credit Agreement. We may elect to draw amounts on our Credit Agreement in either U.S. dollar base rate loans or LIBOR loans or Canadian dollar Canadian prime rate loans or Bankers' Acceptance loans. At September 30, 2016, \$11.4 million of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based Canadian prime rate loans, which bear interest at the Canadian prime rate plus the applicable Canadian prime rate margin (for a total rate of 2.95% at September 30, 2016) and \$346.5 million of the outstanding borrowings drawn under the revolving credit facility were in Canadian-based Bankers' Acceptance loans, which bear interest at the Canadian Dollar Offered Rate plus the applicable acceptance fee (for a total rate of 2.08% at September 30, 2016).
- 2) \$1.638 billion in principal payments due June 2021 related to our term loan under our Credit Agreement. Outstanding amounts on the term loan can be either base rate loans or LIBOR loans. At September 30, 2016, all amounts outstanding under the term loan were in LIBOR loans which bear interest at the LIBOR rate plus the applicable LIBOR margin (for a total rate of 1.72% at September 30, 2016).
- 3) \$50.0 million in principal payments due 2018 related to our 2018 Notes. Holders of the 2018 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2018 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2018 Notes bear interest at a rate of 4.00%.
- 4) \$175.0 million in principal payments due 2019 related to our 2019 Notes. Holders of the 2019 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2019 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2019 Notes bear interest at a rate of 5.25%.
- 5) \$100.0 million in principal payments due 2021 related to our 2021 Notes. Holders of the 2021 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2021 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2021 Notes bear interest at a rate of 4.64%.
- 6) \$150.0 million in principal payments due 2021 related to our new 2021 Notes. Holders of the new 2021 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the new 2021 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The new 2021 Notes bear interest at a rate of 2.39%.
- 7) \$125.0 million in principal payments due 2022 related to our 2022 Notes. Holders of the 2022 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2022 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2022 Notes bear interest at a rate of 3.09%.
- 8) \$200.0 million in principal payments due 2023 related to our 2022 Notes. Holders of the 2023 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2023 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2023 Notes bear interest at a rate of 2.75%.
- 9) \$375.0 million in principal payments due 2025 related to our 2025 Notes. Holders of the 2025 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2025 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2025 Notes bear interest at a rate of 3.41%.

- 10) \$400.0 million in principal payments due 2026 related to our 2026 Notes. Holders of the 2026 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2026 Notes plus accrued and unpaid interest and the LIBOR breakage amount, if any, upon a change in control, as defined in the master note purchase agreement. The 2026 Notes bear interest at a rate of 3.03%.
- 11) \$95.4 million in principal payments related to our tax-exempt bonds, which bear interest at variable rates (ranging between 0.84% and 0.96% at September 30, 2016). The tax-exempt bonds have maturity dates ranging from 2018 to 2039.
- 12) \$14.4 million in principal payments related to our notes payable to sellers and other third parties. Our notes payable to sellers and other third parties bear interest at rates between 3.00% and 24.81% at September 30, 2016, and have maturity dates ranging from 2016 to 2036.

The following assumptions were made in calculating cash interest payments:

- 1) We calculated cash interest payments on the Credit Agreement using the LIBOR rate plus the applicable LIBOR margin and the Canadian Dollar Offered Rate plus the applicable acceptance fee at September 30, 2016. We assumed the Credit Agreement is paid off when it matures in June 2021.
- 2) We calculated cash interest payments on our interest rate swaps using the stated interest rate in the swap agreement less the LIBOR rate through the expiration of the term of the swaps.

Contingent consideration payments include \$51.7 million recorded as liabilities in our Condensed Consolidated Financial Statements at September 30, 2016, and \$20.0 million of future interest accretion on the recorded obligations.

The estimated final capping, closure and post-closure expenditures presented above are in current dollars.

|                                       | Amount of Commitment Expiration Per Period |                     |                 |                 |                 |
|---------------------------------------|--------------------------------------------|---------------------|-----------------|-----------------|-----------------|
|                                       | (amounts in thousands)                     |                     |                 |                 |                 |
| Unrecorded Obligations <sup>(1)</sup> | Total                                      | Less Than<br>1 Year | 1 to 3<br>Years | 3 to 5<br>Years | Over 5<br>Years |
| Operating leases                      | \$ 161,534                                 | \$ 27,869           | \$ 43,545       | \$ 29,410       | \$ 60,710       |
| Unconditional purchase obligations    | \$ 29,571                                  | \$ 24,334           | \$ 5,237        | \$ -            | \$ -            |

(1) We are party to operating lease agreements and unconditional purchase obligations. These lease agreements and purchase obligations are established in the ordinary course of our business and are designed to provide us with access to facilities and products at competitive, market-driven prices. At September 30, 2016, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 11.4 million gallons remaining to be purchased for a total of \$29.6 million. The current fuel purchase contracts expire on or before December 31, 2017. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2016, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

We have obtained financial surety bonds, primarily to support our financial assurance needs and landfill and E&P operations. We provided customers and various regulatory authorities with surety bonds in the aggregate amounts of approximately \$852.7 million and \$475.5 million at September 30, 2016 and December 31, 2015, respectively. These arrangements have not materially affected our financial position, results of operations or liquidity during the nine months ended September 30, 2016, nor are they expected to have a material impact on our future financial position, results of operations or liquidity.

From time to time, we evaluate our existing operations and their strategic importance to us. If we determine that a given operating unit does not have future strategic importance, we may sell or otherwise dispose of those operations. Although we believe our reporting units would not be impaired by such dispositions, we could incur losses on them.

The disposal tonnage that we received in the nine month periods ended September 30, 2016 and 2015, at all of our landfills during the respective period, is shown below (tons in thousands):

|                                                                                     | Nine months ended September 30, |               |                    |               |
|-------------------------------------------------------------------------------------|---------------------------------|---------------|--------------------|---------------|
|                                                                                     | 2016                            |               | 2015               |               |
|                                                                                     | Number of<br>Sites              | Total<br>Tons | Number of<br>Sites | Total<br>Tons |
| Owned operational landfills and landfills operated<br>under life-of-site agreements | 88                              | 22,955        | 55                 | 15,816        |
| Operated landfills                                                                  | 6                               | 427           | 5                  | 390           |
|                                                                                     | 94                              | 23,382        | 60                 | 16,206        |

## NON-GAAP FINANCIAL MEASURES

### Adjusted Free Cash Flow

We present adjusted free cash flow, a non-GAAP financial measure, supplementally because it is widely used by investors as a valuation and liquidity measure in the solid waste industry. Management uses adjusted free cash flow as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted free cash flow as net cash provided by operating activities, plus proceeds from disposal of assets, plus or minus change in book overdraft, plus excess tax benefit associated with equity-based compensation, less capital expenditures for property and equipment and distributions to noncontrolling interests. We further adjust this calculation to exclude the effects of items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP liquidity or financial measures. Other companies may calculate adjusted free cash flow differently. Our adjusted free cash flow for the nine month periods ended September 30, 2016 and 2015, are calculated as follows (amounts in thousands):

|                                                                    | <b>Nine months ended<br/>September 30,</b> |                   |
|--------------------------------------------------------------------|--------------------------------------------|-------------------|
|                                                                    | <b>2016</b>                                | <b>2015</b>       |
| Net cash provided by operating activities                          | \$ 538,831                                 | \$ 463,328        |
| Plus: Change in book overdraft                                     | 6,050                                      | 65                |
| Plus: Proceeds from disposal of assets                             | 3,026                                      | 1,676             |
| Plus: Excess tax benefit associated with equity-based compensation | 5,151                                      | 1,986             |
| Less: Capital expenditures for property and equipment              | (204,934)                                  | (168,379)         |
| Less: Distributions to noncontrolling interests                    | (3)                                        | (43)              |
| Adjustment:                                                        |                                            |                   |
| Payment of contingent consideration recorded in earnings (a)       | 413                                        | -                 |
| Transaction-related expenses (b)                                   | 41,748                                     | -                 |
| Severance-related and other expenses (c)                           | 78,521                                     | -                 |
| Tax effect (d)                                                     | (28,537)                                   | -                 |
| Adjusted free cash flow                                            | <u>\$ 440,266</u>                          | <u>\$ 298,633</u> |

- (a) Reflects the addback of acquisition-related payments for contingent consideration that were recorded as expenses in earnings and as a component of cash flows from operating activities as the amounts paid exceeded the fair value of the contingent consideration recorded at the acquisition date.
- (b) Reflects the addback of acquisition-related transaction costs, including excise tax payments related to the Progressive Waste acquisition.
- (c) Reflects the addback of severance-related expenses and other items, including certain professional fees, in connection with the Progressive Waste acquisition.
- (d) The aggregate tax effect of the adjustments in footnotes (a) through (c) is calculated based on the applied tax rates for the respective periods.

## Adjusted EBITDA

We present adjusted EBITDA, a non-GAAP financial measure, supplementally because it is widely used by investors as a performance and valuation measure in the solid waste industry. Management uses adjusted EBITDA as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We define adjusted EBITDA as net income (loss), plus or minus income tax provision (benefit), plus interest expense, plus depreciation and amortization expense, plus closure and post-closure accretion expense, plus or minus any loss or gain on impairments and other operating items, plus other expense, less other income, plus foreign currency transaction loss, less foreign currency transaction gain. We further adjust this calculation to exclude the effects of other items management believes impact the ability to assess the operating performance of our business. This measure is not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate adjusted EBITDA differently. Our adjusted EBITDA for the three and nine month periods ended September 30, 2016 and 2015, are calculated as follows (amounts in thousands):

|                                                        | Three months ended<br>September 30, |                   | Nine months ended<br>September 30, |                   |
|--------------------------------------------------------|-------------------------------------|-------------------|------------------------------------|-------------------|
|                                                        | 2016                                | 2015              | 2016                               | 2015              |
| Net income (loss)                                      | \$ 88,881                           | \$ (256,805)      | \$ 161,618                         | \$ (147,082)      |
| Plus/less: Income tax provision (benefit)              | 42,485                              | (136,017)         | 86,750                             | (64,996)          |
| Plus: Interest expense                                 | 27,621                              | 16,367            | 65,291                             | 47,386            |
| Plus: Depreciation and amortization                    | 152,688                             | 68,568            | 319,707                            | 199,776           |
| Plus: Closure and post-closure accretion               | 3,034                               | 978               | 5,908                              | 2,920             |
| Plus: Impairments and other operating items            | 7,682                               | 493,813           | 4,634                              | 494,158           |
| Plus/less: Other expense (income), net                 | (671)                               | 1,303             | (179)                              | 1,430             |
| Less: Foreign currency transaction loss (gain)         | 350                                 | -                 | (339)                              | -                 |
| Adjustments:                                           |                                     |                   |                                    |                   |
| Plus: Transaction-related expenses (a)                 | 310                                 | 777               | 46,827                             | 1,372             |
| Plus: Pre-existing Progressive Waste equity grants (b) | 4,466                               | -                 | 9,823                              | -                 |
| Plus: Severance-related and other expenses (c)         | 10,178                              | -                 | 40,300                             | -                 |
| Plus: Synergy bonus (d)                                | 5,300                               | -                 | 5,300                              | -                 |
| Adjusted EBITDA                                        | <u>\$ 342,324</u>                   | <u>\$ 188,984</u> | <u>\$ 745,640</u>                  | <u>\$ 534,964</u> |

- (a) Reflects the addback of acquisition-related transaction costs, including excise tax payments related to the Progressive Waste acquisition.
- (b) Reflects equity compensation costs, including changes in fair value, associated with equity awards granted by Progressive Waste outstanding at the time of the Progressive Waste acquisition.
- (c) Reflects the addback of severance-related expenses and other items, including certain professional fees, in connection with the Progressive Waste acquisition.
- (d) Reflects the addback of bonuses accrued pursuant to the Company's Synergy Bonus Program adopted on July 19, 2016 in connection with the Progressive Waste acquisition.

## Adjusted Net Income and Adjusted Net Income per Diluted Share

We present adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections, both non-GAAP financial measures, supplementally because they are widely used by investors as a valuation measure in the solid waste industry. Management uses adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections as one of the principal measures to evaluate and monitor the ongoing financial performance of our operations. We provide adjusted net income attributable to Waste Connections to exclude the effects of items management believes impact the comparability of operating results between periods. Adjusted net income attributable to Waste Connections has limitations due to the fact that it excludes items that have an impact on our financial condition and results of operations. Adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections are not a substitute for, and should be used in conjunction with, GAAP financial measures. Other companies may calculate these non-GAAP financial measures differently. Our adjusted net income attributable to Waste Connections and adjusted net income per diluted share attributable to Waste Connections for the three and nine month periods ended September 30, 2016 and 2015, are calculated as follows (amounts in thousands, except per share amounts):

|                                                                                                  | Three months ended<br>September 30, |                    | Nine months ended<br>September 30, |                    |
|--------------------------------------------------------------------------------------------------|-------------------------------------|--------------------|------------------------------------|--------------------|
|                                                                                                  | 2016                                | 2015               | 2016                               | 2015               |
| Reported net income (loss) attributable to Waste Connections                                     | \$ 88,617                           | \$ (257,009)       | \$ 160,948                         | \$ (147,825)       |
| Adjustments:                                                                                     |                                     |                    |                                    |                    |
| Amortization of intangibles (a)                                                                  | 26,944                              | 7,195              | 48,719                             | 21,458             |
| Impairments and other operating items (b)                                                        | 7,682                               | 493,813            | 4,634                              | 494,158            |
| Transaction-related expenses (c)                                                                 | 310                                 | 777                | 46,827                             | 1,372              |
| Pre-existing Progressive Waste equity grants (d)                                                 | 4,466                               | -                  | 9,823                              | -                  |
| Severance-related and other expenses (e)                                                         | 10,178                              | -                  | 40,300                             | -                  |
| Synergy bonus (f)                                                                                | 5,300                               | -                  | 5,300                              | -                  |
| Tax effect (g)                                                                                   | (19,001)                            | (174,053)          | (43,630)                           | (179,883)          |
| Impact of deferred tax adjustment (h)                                                            | 1,964                               | (4,198)            | 1,964                              | (4,198)            |
| Adjusted net income attributable to Waste Connections                                            | <u>\$ 126,460</u>                   | <u>\$ 66,525</u>   | <u>\$ 274,885</u>                  | <u>\$ 185,082</u>  |
| Diluted earnings (loss) per common share attributable to Waste Connections' common shareholders: |                                     |                    |                                    |                    |
| Reported net income (loss)                                                                       | \$ 0.50                             | \$ (2.08)          | \$ 1.10                            | \$ (1.19)          |
| Adjusted net income                                                                              | <u>\$ 0.72</u>                      | <u>\$ 0.54</u>     | <u>\$ 1.87</u>                     | <u>\$ 1.49</u>     |
| Shares used in the per share calculations:                                                       |                                     |                    |                                    |                    |
| Reported diluted shares                                                                          | <u>175,766,759</u>                  | <u>123,269,902</u> | <u>146,709,780</u>                 | <u>123,783,217</u> |
| Adjusted diluted shares (i)                                                                      | <u>175,766,759</u>                  | <u>123,644,825</u> | <u>146,709,780</u>                 | <u>124,118,811</u> |

- (a) Reflects the elimination of the non-cash amortization of acquisition-related intangible assets.
- (b) Reflects the addback of impairments and other operating items.
- (c) Reflects the addback of acquisition-related transaction costs, including excise tax payments related to the Progressive Waste acquisition.
- (d) Reflects equity compensation costs, including changes in fair value, associated with equity awards granted by Progressive Waste outstanding at the time of the Progressive Waste acquisition.
- (e) Reflects the addback of severance-related expenses and other items, including certain professional fees, in connection with the Progressive Waste acquisition.
- (f) Reflects the addback of bonuses accrued pursuant to the Company's Synergy Bonus Program adopted on July 19, 2016 in connection with the Progressive Waste acquisition.
- (g) The aggregate tax effect of the adjustments in footnotes (a) through (f) is calculated based on the applied tax rates for the respective periods.
- (h) Reflects the elimination in 2015 of the increase to the income tax benefit primarily associated with a decrease in our deferred tax liabilities resulting from the impairment of assets in our E&P segment that impacted the geographical apportionment of our state income taxes. In 2016, reflects a change in the geographical apportionment of our deferred tax liabilities resulting from the Progressive Waste acquisition.

- (i) Reflects reported diluted shares adjusted for shares that were excluded from the reported diluted shares calculation due to us reporting a net loss during the three and nine months ended September 30, 2015.

## INFLATION

Other than volatility in fuel prices and labor costs in certain markets, inflation has not materially affected our operations in recent years. Consistent with industry practice, many of our contracts allow us to pass through certain costs to our customers, including increases in landfill tipping fees and, in some cases, fuel costs. Therefore, we believe that we should be able to increase prices to offset many cost increases that result from inflation in the ordinary course of business. However, competitive pressures or delays in the timing of rate increases under our contracts may require us to absorb at least part of these cost increases, especially if cost increases exceed the average rate of inflation. Management's estimates associated with inflation have an impact on our accounting for landfill liabilities.

## SEASONALITY

We expect our operating results to vary seasonally, with revenues typically lowest in the first quarter, higher in the second and third quarters and lower in the fourth quarter than in the second and third quarters. This seasonality reflects (a) the lower volume of solid waste generated during the late fall, winter and early spring because of decreased construction and demolition activities during winter months in Canada and the U.S. and (b) reduced E&P activity during harsh weather conditions, with expected fluctuation due to such seasonality between our highest and lowest quarters of approximately 12% to 15%. In addition, some of our operating costs may be higher in the winter months. Adverse winter weather conditions slow waste collection activities, resulting in higher labor and operational costs. Greater precipitation in the winter increases the weight of collected municipal solid waste, resulting in higher disposal costs, which are calculated on a per ton basis.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk, including changes in interest rates and prices of certain commodities. We use hedge agreements to manage a portion of our risks related to interest rates and fuel prices. While we are exposed to credit risk in the event of non-performance by counterparties to our hedge agreements, in all cases such counterparties are highly rated financial institutions and we do not anticipate non-performance. We do not hold or issue derivative financial instruments for trading purposes. We monitor our hedge positions by regularly evaluating the positions at market and by performing sensitivity analyses over the unhedged fuel and variable rate debt positions.

At September 30, 2016, our derivative instruments included 12 interest rate swap agreements that effectively fix the interest rate on the applicable notional amounts of our variable rate debt as follows (dollars in thousands):

| Date Entered  | Notional Amount | Fixed Interest Rate Paid* | Variable Interest Rate Received | Effective Date | Expiration Date |
|---------------|-----------------|---------------------------|---------------------------------|----------------|-----------------|
| December 2011 | \$ 175,000      | 1.600%                    | 1-month LIBOR                   | February 2014  | February 2017   |
| April 2014    | \$ 100,000      | 1.800%                    | 1-month LIBOR                   | July 2014      | July 2019       |
| May 2014      | \$ 50,000       | 2.344%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| May 2014      | \$ 25,000       | 2.326%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| May 2014      | \$ 50,000       | 2.350%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| May 2014      | \$ 50,000       | 2.350%                    | 1-month LIBOR                   | October 2015   | October 2020    |
| April 2016    | \$ 100,000      | 1.000%                    | 1-month LIBOR                   | February 2017  | February 2020   |
| June 2016     | \$ 75,000       | 0.850%                    | 1-month LIBOR                   | February 2017  | February 2020   |
| June 2016     | \$ 150,000      | 0.950%                    | 1-month LIBOR                   | January 2018   | January 2021    |
| June 2016     | \$ 150,000      | 0.950%                    | 1-month LIBOR                   | January 2018   | January 2021    |
| July 2016     | \$ 50,000       | 0.900%                    | 1-month LIBOR                   | January 2018   | January 2021    |
| July 2016     | \$ 50,000       | 0.890%                    | 1-month LIBOR                   | January 2018   | January 2021    |

\* Plus applicable margin.

Under derivatives and hedging guidance, the interest rate swap agreements are considered cash flow hedges for a portion of our variable rate debt, and we apply hedge accounting to account for these instruments. The notional amounts and all other significant terms of the swap agreements are matched to the provisions and terms of the variable rate debt being hedged.

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged floating rate debt. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. We are exposed to cash flow risk due to changes in interest rates with respect to the unhedged floating rate balances owed at September 30, 2016 and December 31, 2015, of \$1.641 billion and \$771.4 million, respectively, including floating rate debt under our Credit Agreement and floating rate tax-exempt bond obligations. A one percentage point increase in interest rates on our variable-rate debt as of September 30, 2016 and December 31, 2015, would decrease our annual pre-tax income by approximately \$16.4 million and \$7.7 million, respectively. All of our remaining debt instruments are at fixed rates, or effectively fixed under the interest rate swap agreements described above; therefore, changes in market interest rates under these instruments would not significantly impact our cash flows or results of operations, subject to counterparty default risk.

The market price of diesel fuel is unpredictable and can fluctuate significantly. We purchase approximately 53.8 million gallons of fuel per year; therefore, a significant increase in the price of fuel could adversely affect our business and reduce our operating margins. To manage a portion of this risk, we periodically enter into fuel hedge agreements related to forecasted diesel fuel purchases.

At September 30, 2016, our derivative instruments included four fuel hedge agreements as follows:

| Date Entered | Notional Amount<br>(in gallons per month) | Diesel Rate Paid<br>Fixed<br>(per gallon) | Diesel Rate Received<br>Variable | Effective Date | Expiration Date |
|--------------|-------------------------------------------|-------------------------------------------|----------------------------------|----------------|-----------------|
| May 2015     | 300,000                                   | \$ 3.2800                                 | DOE Diesel Fuel Index*           | January 2016   | December 2017   |
| May 2015     | 200,000                                   | \$ 3.2750                                 | DOE Diesel Fuel Index*           | January 2016   | December 2017   |
| July 2016    | 500,000                                   | \$ 2.4988                                 | DOE Diesel Fuel Index*           | January 2017   | December 2017   |
| July 2016    | 1,000,000                                 | \$ 2.6345                                 | DOE Diesel Fuel Index*           | January 2018   | December 2018   |

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

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

We have performed sensitivity analyses to determine how market rate changes will affect the fair value of our unhedged diesel fuel purchases. Such an analysis is inherently limited in that it reflects a singular, hypothetical set of assumptions. Actual market movements may vary significantly from our assumptions. Fair value sensitivity is not necessarily indicative of the ultimate cash flow or earnings effect we would recognize from the assumed market rate movements. For the year ending December 31, 2016, we expect to purchase approximately 53.8 million gallons of fuel, of which 34.4 million gallons will be purchased at market prices, 13.4 million gallons will be purchased under our fixed price fuel purchase contracts and 6.0 million gallons are hedged at a fixed price under our fuel hedge agreements. During the three month period of October 1, 2016 to December 31, 2016, we expect to purchase approximately 12.1 million gallons of fuel at market prices; therefore, a \$0.10 per gallon increase in the price of fuel over the remaining three months in 2016 would decrease our pre-tax income during this period by approximately \$1.2 million.

We market a variety of recyclable materials, including cardboard, office paper, plastic containers, glass bottles and ferrous and aluminum metals. We own and operate 71 recycling operations and sell other collected recyclable materials to third parties for processing before resale. To reduce our exposure to commodity price risk with respect to recycled materials, we have adopted a pricing strategy of charging collection and processing fees for recycling volume collected from third parties. In the event of a decline in recycled commodity prices, a 10% decrease in average recycled commodity prices from the average prices that were in effect during the nine months ended September 30, 2016 and 2015, would have had a \$5.6 million and \$3.5 million impact on revenues for the nine months ended September 30, 2016 and 2015, respectively.

Item 4. Controls and Procedures

As required by Rule 13a-15(b) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2016, that our disclosure controls and procedures were effective at the reasonable assurance level such that information required to be disclosed in our Exchange Act reports: (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (2) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2016, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

Information regarding our legal proceedings can be found in Note 16 of our Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and is incorporated herein by reference.

### Item 1A. Risk Factors

For additional discussion of potential risks and uncertainties that could have a material adverse effect on our business, results of operations, profitability, financial condition, liquidity or cash flows and that could cause our operating results to vary significantly from period to period, see Item 1A in Part I of Old Waste Connections' Annual Report on Form 10-K for the year ended December 31, 2015, and the section entitled "Risk Factors" in the Company's Annual Report on Form 40-F for the year ended December 31, 2015. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could have a material adverse effect on our business, results of operations, profitability, financial condition, liquidity or cash flows.

### Item 6. Exhibits

See Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

## SIGNATURES

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.

### WASTE CONNECTIONS, INC.

Date: October 31, 2016

BY: /s/ Ronald J. Mittelstaedt

Ronald J. Mittelstaedt,  
Chief Executive Officer

Date: October 31, 2016

BY: /s/ Worthing F. Jackman

Worthing F. Jackman,  
Executive Vice President and  
Chief Financial Officer

## EXHIBIT INDEX

| <b>Exhibit<br/>Number</b>                                           | <b>Description of Exhibits</b>                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1                                                                 | Agreement and Plan of Merger, dated as of January 18, 2016, by and among the Registrant (f.k.a. Progressive Waste Solutions Ltd.), Water Merger Sub LLC, and Waste Connections US, Inc. (f.k.a. Waste Connections, Inc.) (incorporated by reference to Exhibit 99.2 of the Registrant's Form 6-K filed on January 20, 2016) |
| 3.1                                                                 | Articles of Amendment dated June 1, 2016 (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed on June 7, 2016)                                                                                                                                                                                      |
| 3.2                                                                 | Articles of Amalgamation dated June 1, 2016 (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed on June 7, 2016)                                                                                                                                                                                   |
| 3.3                                                                 | By-laws of the Registrant (incorporated by reference to Exhibit 3.3 of the Registrant's Form 8-K filed on June 7, 2016)                                                                                                                                                                                                     |
| 10.1+                                                               | Amendment to the Waste Connections, Inc. Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on July 22, 2016)                                                                                                                                            |
| 10.2+                                                               | Waste Connections, Inc. Synergy Bonus Program (incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on July 22, 2016)                                                                                                                                                                               |
| 10.3+                                                               | Form of Deferred Share Unit Agreement for Non-Employee Directors under the Waste Connections, Inc. 2016 Incentive Award Plan                                                                                                                                                                                                |
| 31.1                                                                | Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a)                                                                                                                                                                                                                                 |
| 31.2                                                                | Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a)                                                                                                                                                                                                                                 |
| 32.1                                                                | Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350                                                                                                                                                                                                                                                        |
| 32.2                                                                | Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350                                                                                                                                                                                                                                                        |
| 99.1                                                                | Waste Connections, Inc. Compensation Recoupment Policy (incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed on July 22, 2016)                                                                                                                                                                      |
| 101.INS                                                             | XBRL Instance Document                                                                                                                                                                                                                                                                                                      |
| 101.SCH                                                             | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                                                                     |
| 101.CAL                                                             | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                                                                                                                                                                                       |
| 101.LAB                                                             | XBRL Taxonomy Extension Labels Linkbase Document                                                                                                                                                                                                                                                                            |
| 101.PRE                                                             | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                                                                                                                                                                                      |
| 101.DEF                                                             | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                                                                        |
| + Management contract or compensatory plan, contract or arrangement |                                                                                                                                                                                                                                                                                                                             |

## WASTE CONNECTIONS, INC. 2016 INCENTIVE AWARD PLAN

DEFERRED SHARE UNIT AGREEMENT  
FOR NON-EMPLOYEE DIRECTORS

Waste Connections, Inc., an Ontario corporation (the "Company"), has granted to Participant (as designated below) a Deferred Share Unit Award pursuant to the Waste Connections, Inc. 2016 Incentive Award Plan (as amended and/or restated from time to time, the "Plan"). Each Deferred Share Unit represents the right to receive a cash payment or its equivalent in common shares of the Company ("Shares"), or a combination thereof, all subject to the terms of the Plan and this Award Agreement (which includes, for Participants who are US Participants, the additional terms and conditions provided under Exhibit A hereto). By electronically accepting this Award Agreement through his or her Shareworks account with Solium Capital, Participant is deemed to have accepted the terms and conditions of the Plan and this Award Agreement.

In the event of any conflict or inconsistency between the terms of the Plan and this Award Agreement, the terms of the Plan shall supersede and govern in all respects. Any capitalized terms not defined herein are defined in the Plan.

**1. Grant Terms:**

**Participant Name:** \_\_\_\_\_

**Participant is a (check one box):** US Participant ☐ or Canadian Participant ☐ or Both ☐

**Award Date:** \_\_\_\_\_

**Number of Deferred Share Units:** \_\_\_\_\_

**2. Vested Award Units:** Subject to the terms of the Plan and this Award Agreement, the Deferred Share Units shall become payable after the earliest time of: (a) the Participant's death; or (b) the latest time that the Participant ceases to be an employee, officer or director of the Company or any affiliate (within the meaning of that term in paragraph 8 of Interpretation Bulletin IT-337R4, *Retiring Allowances [Consolidated]*, or any successor publication thereto) of the Company (such time is referred to as the "Triggering Event"). All payments in respect of a Deferred Share Unit shall be made no later than December 31st of the year commencing immediately after the occurrence of the Triggering Event. The Deferred Share Units subject to the Award that have become vested are referred to as "Vested Award Units."

**3. Settlement:** On the Deferred Share Unit Settlement Date, the Company shall transfer or issue to the Participant one unrestricted, fully transferable Share for each Vested Award Unit, or in the sole discretion of the Administrator, an amount in cash equal to the Fair Market Value of such Shares on the Deferred Share Unit Settlement Date or a combination of cash and Shares as determined by the Administrator. In the event that the Company elects to make payment of the Vested Award Units in cash, the amount of cash payable with respect to each Vested Award Unit shall be dependent on the Fair Market Value of a Share at a time within the period that commences one year before the date of the Triggering Event and ends at the time the amount is paid. Unless otherwise directed by the Committee, all distributions shall be made by the Company in the form of whole Shares, and any fractional Share shall be applied to the payment of withholding taxes, if any. No payment in cash or Shares will actually be made until the Participant satisfies all applicable income and employment withholding taxes, if applicable.

4. **Acknowledgement.** The Participant acknowledges that the Deferred Share Units and the Shares subject to the Deferred Share Units are subject to adjustment, modification and termination in certain events as provided in the Plan, including Section 13 of the Plan. The Participant also acknowledges that the value of the Deferred Share Units is based on the value of the Shares at the time of settlement as described in the Plan and this Award Agreement and is therefore not guaranteed. The Participant, if a Canadian Participant, shall not be entitled, under this Award Agreement, the Plan or otherwise, either immediately or in the future, either absolutely or contingently, to receive or obtain any amount or benefit granted or to be granted for the purposes of reducing the impact, in whole or in part, of any reduction in the Fair Market Value of the Shares. The Participant has received and reviewed a copy of the Plan and agrees to be bound by the terms and conditions of the Plan.

5. **Additional Provisions.**

a. **Additional Terms.** The terms and conditions of this Award are governed by the Plan, and this Award is also subject to all interpretations, amendments, rules and regulations which may from time to time be adopted under the Plan.

b. **Entire Agreement.** The Award Agreement and the Plan constitute the entire agreement of the parties hereto with regard to the subject matter hereof. They supersede in their entirety all other prior undertakings, agreements, representations or understandings (whether oral or written and whether express or implied) of you and the Company which relate to the subject matter hereof; provided, however, that the provisions of the Plan shall continue to apply, and further provided that in case of inconsistencies or ambiguities, the provisions of the Plan shall prevail over the provisions of the Award Agreement. The invalidity or unenforceability of any provision of the Award Agreement shall not affect the validity or enforceability of any other provision of the Award Agreement.

c. **Agreement Severable.** In the event that any provision of the Award Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Award Agreement.

d. **Service Provider Relationship.** Nothing in the adoption of the Plan or the award of the Deferred Share Units thereunder pursuant to the Award Agreement shall confer any right on a Participant with respect to continuation of a directorship, consulting or other employment arrangement with the Company or any Subsidiary, nor shall they interfere in any way with the right of the Company or any Subsidiary that employs such Participant or engages such Participant as a consultant or director to terminate the Participant's employment or consulting or directorship arrangement at any time, with or without cause.

e. **Governing Law.** The Award Agreement and the Plan shall be governed by and construed in accordance with the laws of the province of Ontario, except with respect to those provisions of the Award Agreement and the Plan concerning the Code, which shall be governed by and construed in accordance with the laws of the State of Delaware as superseded by applicable United States federal law.

f. **Electronic Delivery.** The Company may deliver any documents related to the Award granted under this Award Agreement and participation in the Plan by electronic means or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan and sign the Award Agreement through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

g. **Amendment, Suspension and Termination.** To the extent permitted by the Plan, the Award Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, provided that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of the Award Agreement shall adversely affect the Deferred Share Units in any material way without your prior written or electronic consent.

h. **Notices.** Any notice or other communication to be given under or in connection with this Agreement or the Plan shall be given in writing and shall be deemed effectively given on receipt or, in the case of notices from the Company to you, five days after deposit in the United States mail, postage prepaid, addressed to you at the address on file with the Company or at such other address as you may hereafter designate by notice to the Company.

i. **Transferability.** Any attempt by you to transfer any interest in your Award or any underlying Shares in violation of the transferability provisions in the Plan shall be null and void and of no effect.

j. **Successors and Assigns.** The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and the Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5(i) of the Award Agreement and the Plan, the provisions of the Award Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and to the Participant, the Participant's executors, administrators, heirs, successors, representatives and assignees.

k. **Titles.** Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Award Agreement.

l. **Data Privacy Waiver.** By accepting the grant of the Deferred Share Units, the Participant hereby agrees and consents to:

i. the collection, use, processing and transfer by the Company and its Subsidiaries (collectively, the "Group") of certain personal information about the Participant (the "Data");

ii. any members of the Group transferring Data amongst themselves for the purposes of implementing, administering and managing the Plan;

iii. the use of such Data by any such person for such purposes; and

iv. the transfer to and retention of such Data by third parties in connection with such purposes.

For the purposes of clause (i) above, “Data” means the Participant’s name, home address and telephone number, date of birth, other employee information, any tax or other identification number, details of all rights to acquire Shares granted to the Participant and of Shares issued or transferred to the Participant pursuant to the Plan.

**WASTE CONNECTIONS, INC.**

By: \_\_\_\_\_

Name: Ronald J. Mittelstaedt

Title: Chairman and Chief Executive Officer

EXHIBIT A

ADDITIONAL PROVISIONS FOR  
DEFERRED SHARE UNIT AWARD AGREEMENT  
FOR NON-EMPLOYEE DIRECTORS  
FOR US PARTICIPANTS IN THE  
WASTE CONNECTIONS, INC. 2016 INCENTIVE AWARD PLAN

The additional terms and conditions of this Exhibit A shall apply to the Deferred Share Unit Award for any Participant who is a US Participant.

1. Federal Income Tax. You generally will recognize ordinary income for US federal income tax and/or Canadian income tax purposes on the date you receive a payment in respect of your Vested Award Units, and you must satisfy the income tax withholding obligation applicable to that income, if applicable. This is a general summary of the possible tax consequences of the Award and is not tax advice. You are advised to consult with your own advisor as to the possible tax consequences of this Award.

2. Notwithstanding sections 2 and 3 of the Award Agreement, (i) “Triggering Event” shall mean the earliest time of: (a) the Participant’s death; and (b) the Participant’s “separation from service” (within the meaning of Section 409A of the Code), and (ii) if the Participant is a “specified employee” (within the meaning of Section 409A of the Code), the Deferred Share Unit Settlement Date shall occur on the first day of the seventh month following the date of the Participant’s “separation from service.” If the Company fails to make any distribution, either intentionally or unintentionally, within the time period specified in this Section 2, but the payment is made within the same calendar year, or, if later, by the 15th day of the third calendar month following the scheduled payment date, such distribution will be treated as made within the time period specified in this Section 2.

3. Claw-Back. Pursuant to its general authority to determine the terms and conditions applicable to the Deferred Share Units, the Committee shall have the right to require the Participant to agree by separate written or electronic instrument that the Units (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt of the Deferred Share Units or upon the receipt or resale of any Shares underlying the Deferred Share Units) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Law, including without limitation the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy.

4. Code Section 409A. This Award is intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “Section 409A”). The Administrator has the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or the Award Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award to comply with the requirements of Section 409A. All references to the Participant’s Termination of Employment in this Award Agreement shall be construed to mean a “separation from service,” as defined in Treasury Regulation Section 1.409A-1(h) (a “Separation from Service”), and the Participant shall not be considered to have a Termination of Employment unless such termination constitutes a Separation from Service with respect to the Participant.

5. Conformity to Applicable Law. You acknowledge that the Plan, the Award Agreement and this Exhibit A are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Deferred Share Units are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Award Agreement and this Exhibit A shall be deemed amended to the extent necessary to conform to Applicable Law.

6. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Award Agreement or this Exhibit A, if you are subject to Section 16 of the Exchange Act, the Plan, the Deferred Share Units, including Deferred Share Units resulting from dividend equivalent rights, and the Award Agreement and this Exhibit A shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Award Agreement and this Exhibit A shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

7. Additional Disclosure. Along with the Award Agreement, you also received a copy of the official prospectus summarizing the principal features of the Plan. Please review the plan prospectus carefully so that you fully understand your rights and benefits under your Award and the limitations, restrictions and vesting provisions applicable to the Award.

**CERTIFICATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

I, Ronald J. Mittelstaedt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Waste Connections, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2016

/s/ Ronald J. Mittelstaedt  
\_\_\_\_\_  
Ronald J. Mittelstaedt  
Chairman and  
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Worthing F. Jackman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Waste Connections, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2016

/s/ Worthing F. Jackman  
\_\_\_\_\_  
Worthing F. Jackman  
Executive Vice President and  
Chief Financial Officer

---

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER****Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

The undersigned, Ronald J. Mittelstaedt, being the duly elected and acting Chief Executive Officer of Waste Connections, Inc., a corporation organized under the laws of Ontario, Canada (the “Company”), hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the quarterly report of the Company on Form 10-Q for the three months ended September 30, 2016 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2016

By: /s/ Ronald J. Mittelstaedt  
Ronald J. Mittelstaedt  
Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates it by reference.

---

**CERTIFICATE OF CHIEF FINANCIAL OFFICER****Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

The undersigned, Worthing F. Jackman, being the duly elected and acting Chief Financial Officer of Waste Connections, Inc., a corporation organized under the laws of Ontario, Canada (the "Company"), hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge, the quarterly report of the Company on Form 10-Q for the three months ended September 30, 2016 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 31, 2016

By: /s/ Worthing F. Jackman  
Worthing F. Jackman  
Executive Vice President and Chief  
Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing, except to the extent that the Company specifically incorporates it by reference.

---