
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 June 30, 2017

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, 2nd Floor

Vaughan

Ontario L4K 0E3

Canada

(Address of principal executive offices)

(905) 532-7510

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated
filer

Non-accelerated
filer

Smaller reporting
company

Emerging growth
company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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 July 20, 2017: 263,636,010 common shares

WASTE CONNECTIONS, INC.
FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION (unaudited)</u>	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Net Income</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income</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>	66
Item 4. <u>Controls and Procedures</u>	68
<u>PART II – OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	69
Item 5. <u>Other Information</u>	69
Item 6. <u>Exhibits</u>	69
<u>Signatures</u>	70
<u>Exhibit Index</u>	71

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and equivalents	\$ 399,741	\$ 154,382
Accounts receivable, net of allowance for doubtful accounts of \$14,947 and \$13,160 at June 30, 2017 and December 31, 2016, respectively	547,671	485,138
Current assets held for sale	8,731	6,339
Prepaid expenses and other current assets	93,053	97,533
Total current assets	<u>1,049,196</u>	<u>743,392</u>
Property and equipment, net	4,729,335	4,738,055
Goodwill	4,589,573	4,390,261
Intangible assets, net	1,083,787	1,067,158
Restricted assets	60,393	63,406
Long-term assets held for sale	79,448	33,989
Other assets, net	63,631	67,664
	<u>\$ 11,655,363</u>	<u>\$ 11,103,925</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 239,150	\$ 251,253
Book overdraft	30,585	10,955
Accrued liabilities	270,621	269,402
Deferred revenue	140,070	134,081
Current portion of contingent consideration	27,097	21,453
Current liabilities held for sale	6,365	3,383
Current portion of long-term debt and notes payable	11,511	1,650
Total current liabilities	<u>725,399</u>	<u>692,177</u>
Long-term debt and notes payable	3,963,909	3,616,760
Long-term portion of contingent consideration	31,218	30,373
Long-term liabilities held for sale	463	-
Other long-term liabilities	304,179	331,074
Deferred income taxes	822,209	778,664
Total liabilities	<u>5,847,377</u>	<u>5,449,048</u>
Commitments and contingencies (Note 17)		
Equity:		
Common shares: 263,637,093 shares issued and 263,425,440 shares outstanding at June 30, 2017; 263,140,777 shares issued and 262,803,380 shares outstanding at December 31, 2016	4,184,489	4,174,808
Additional paid-in capital	102,479	102,220
Accumulated other comprehensive income (loss)	26,108	(43,001)
Treasury shares: 211,653 and 337,397 shares at June 30, 2017 and December 31, 2016, respectively	-	-
Retained earnings	1,487,171	1,413,488
Total Waste Connections' equity	<u>5,800,247</u>	<u>5,647,515</u>
Noncontrolling interest in subsidiaries	7,739	7,362
Total equity	<u>5,807,986</u>	<u>5,654,877</u>
	<u>\$ 11,655,363</u>	<u>\$ 11,103,925</u>

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

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 1,175,569	\$ 727,639	\$ 2,266,835	\$ 1,242,319
Operating expenses:				
Cost of operations	685,900	416,262	1,329,281	703,453
Selling, general and administrative	126,350	152,737	255,400	220,419
Depreciation	132,827	84,348	258,067	145,245
Amortization of intangibles	24,762	14,081	50,272	21,775
Impairments and other operating items	(1,180)	(3,284)	140,501	(3,048)
Operating income	206,910	63,495	233,314	154,475
Interest expense	(31,160)	(20,485)	(60,291)	(37,670)
Other income (expense), net	1,860	(714)	3,326	(492)
Foreign currency transaction gain (loss)	(1,048)	689	(1,638)	689
Income before income tax provision	176,562	42,985	174,711	117,002
Income tax provision	(52,675)	(15,265)	(35,804)	(44,265)
Net income	123,887	27,720	138,907	72,737
Less: Net income attributable to noncontrolling interests	(231)	(231)	(377)	(406)
Net income attributable to Waste Connections	\$ 123,656	\$ 27,489	\$ 138,530	\$ 72,331
Earnings per common share attributable to Waste Connections' common shareholders:				
Basic	\$ 0.47	\$ 0.13	\$ 0.53	\$ 0.37
Diluted	\$ 0.47	\$ 0.13	\$ 0.52	\$ 0.37
Shares used in the per share calculations:				
Basic	263,387,338	210,305,335	263,225,541	197,244,873
Diluted	264,109,594	210,880,732	264,007,307	198,036,792
Cash dividends per common share	\$ 0.12	\$ 0.097	\$ 0.24	\$ 0.193

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

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands of U.S. dollars)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net income	\$ 123,887	\$ 27,720	\$ 138,907	\$ 72,737
Other comprehensive income, before tax:				
Interest rate swap amounts reclassified into interest expense	760	1,693	1,841	3,403
Fuel hedge amounts reclassified into cost of operations	1,012	1,473	1,976	3,274
Changes in fair value of interest rate swaps	(2,904)	(3,826)	(1,876)	(10,514)
Changes in fair value of fuel hedges	(1,164)	1,629	(4,389)	324
Foreign currency translation adjustment	53,193	12,651	70,627	12,651
Other comprehensive income, before tax	50,897	13,620	68,179	9,138
Income tax (expense) benefit related to items of other comprehensive income	(1,338)	(346)	930	1,360
Other comprehensive income, net of tax	49,559	13,274	69,109	10,498
Comprehensive income	173,446	40,994	208,016	83,235
Less: Comprehensive income attributable to noncontrolling interests	(231)	(231)	(377)	(406)
Comprehensive income attributable to Waste Connections	<u>\$ 173,215</u>	<u>\$ 40,763</u>	<u>\$ 207,639</u>	<u>\$ 82,829</u>

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

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
SIX MONTHS ENDED JUNE 30, 2017
(Unaudited)
(In thousands of U.S. dollars, except share amounts)

	Waste Connections' Equity								
	Common Shares	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Retained Earnings	Noncontrolling Interests	Total		
	Shares	Amount	Income (Loss)	Shares	Amount	Interests	Total		
Balances at December 31, 2016	262,803,383	\$ 4,174,808	\$ 102,220	\$ (43,001)	337,397	\$ -	\$ 1,413,488	\$ 7,362	\$ 5,654,877
Sale of common shares held in trust	125,744	7,735	-	-	(125,744)	-	-	-	7,735
Vesting of restricted share units	534,881	-	-	-	-	-	-	-	-
Vesting of performance-based restricted share units	122,786	-	-	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	36,619	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of equity-based compensation	(247,927)	-	(13,621)	-	-	-	-	-	(13,621)
Equity-based compensation	-	-	13,880	-	-	-	-	-	13,880
Exercise of options and warrants	49,954	1,946	-	-	-	-	-	-	1,946
Cash dividends on common shares	-	-	-	-	-	(63,463)	-	-	(63,463)
Amounts reclassified into earnings, net of taxes	-	-	-	2,575	-	-	-	-	2,575
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(4,093)	-	-	-	-	(4,093)
Foreign currency translation adjustment	-	-	-	70,627	-	-	-	-	70,627
Cumulative effect adjustment from adoption of new accounting pronouncement	-	-	-	-	-	(1,384)	-	-	(1,384)
Net income	-	-	-	-	-	138,530	377	-	138,907
Balances at June 30, 2017	<u>263,425,440</u>	<u>\$ 4,184,489</u>	<u>\$ 102,479</u>	<u>\$ 26,108</u>	<u>211,653</u>	<u>\$ -</u>	<u>\$ 1,487,171</u>	<u>\$ 7,739</u>	<u>\$ 5,807,986</u>

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

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
SIX MONTHS ENDED JUNE 30, 2016
(Unaudited)
(In thousands of U.S. dollars, except share amounts)

	Waste Connections' Equity								
	Common Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Amount	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2015	183,563,933	\$ 1,224	\$ 736,652	\$ (12,171)	-	-	\$ 1,259,495	\$ 6,584	\$ 1,991,784
Conversion of Old Waste Connections' common shares into common shares of New Waste Connections	-	650,552	(650,552)	-	-	-	-	-	-
Issuance of common shares to acquire Progressive Waste	78,218,878	3,503,162	-	-	-	-	-	-	3,503,162
Acquired common shares held in trust	-	-	-	-	735,168	-	-	-	-
Sale of common shares held in trust	172,658	8,436	-	-	(172,658)	-	-	-	8,436
Vesting of restricted share units	596,728	-	-	-	-	-	-	-	-
Vesting of performance-based restricted share units	184,440	-	-	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	58,992	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of restricted share units	(276,771)	-	(11,349)	-	-	-	-	-	(11,349)
Equity-based compensation	-	-	13,026	-	-	-	-	-	13,026
Exercise of warrants	37,543	-	-	-	-	-	-	-	-
Excess tax benefit associated with equity-based compensation	-	-	5,015	-	-	-	-	-	5,015
Cash dividends on common shares	-	-	-	-	-	-	(35,585)	-	(35,585)
Amounts reclassified into earnings, net of taxes	-	-	-	4,130	-	-	-	-	4,130
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(6,283)	-	-	-	-	(6,283)
Foreign currency translation adjustment	-	-	-	12,651	-	-	-	-	12,651
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(3)	(3)
Net income	-	-	-	-	-	-	72,331	406	72,737
Balances at June 30, 2016	<u>262,556,401</u>	<u>\$ 4,163,374</u>	<u>\$ 92,792</u>	<u>\$ (1,673)</u>	<u>562,510</u>	<u>\$ -</u>	<u>\$ 1,296,241</u>	<u>\$ 6,987</u>	<u>\$ 5,557,721</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 of U.S. dollars)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 138,907	\$ 72,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets and impairments	128,608	509
Depreciation	258,067	145,245
Amortization of intangibles	50,272	21,775
Foreign currency transaction (gain) loss	1,638	(689)
Deferred income taxes, net of acquisitions	(10,378)	25,363
Amortization of debt issuance costs	2,101	2,842
Share-based compensation	23,364	26,405
Interest income on restricted assets	(283)	(246)
Interest accretion	6,887	3,629
Excess tax benefit associated with equity-based compensation	-	(5,015)
Adjustments to contingent consideration	11,013	(2,495)
Payment of contingent consideration recorded in earnings	-	(132)
Net change in operating assets and liabilities, net of acquisitions	(58,290)	(30,282)
Net cash provided by operating activities	551,906	259,646
Cash flows from investing activities:		
Payments for acquisitions, net of cash acquired	(347,936)	(12,541)
Cash acquired in the Progressive Waste acquisition	-	65,745
Capital expenditures for property and equipment	(202,617)	(112,087)
Proceeds from disposal of assets	20,617	1,560
Change in restricted assets, net of interest income	3,689	113
Other	(1,732)	(696)
Net cash used in investing activities	(527,979)	(57,906)
Cash flows from financing activities:		
Proceeds from long-term debt	864,952	3,352,676
Principal payments on notes payable and long-term debt	(585,762)	(3,461,005)
Payment of contingent consideration recorded at acquisition date	(5,565)	(4,109)
Change in book overdraft	19,479	1,998
Proceeds from option and warrant exercises	1,946	-
Excess tax benefit associated with equity-based compensation	-	5,015
Payments for cash dividends	(63,463)	(35,585)
Tax withholdings related to net share settlements of restricted share units	(13,621)	(11,349)
Distributions to noncontrolling interests	-	(3)
Debt issuance costs	(3,519)	(12,941)
Proceeds from sale of common shares held in trust	7,735	8,436
Other	(1,094)	-
Net cash provided by (used in) financing activities	221,088	(156,867)
Effect of exchange rate changes on cash and equivalents	649	(223)
Net increase in cash and equivalents	245,664	44,650
Cash and equivalents at beginning of period	154,382	10,974
Less: change in cash held for sale	(305)	-
Cash and equivalents at end of period	\$ 399,741	\$ 55,624
Non-cash financing activities:		
Liabilities assumed and notes payable issued to sellers of businesses acquired	\$ 136,090	\$ 2,566,335
Non-cash consideration received for asset sales	\$ 12,632	\$ -
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 OF U.S. DOLLARS, 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 (the “Progressive Waste acquisition”). 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 six month periods ended June 30, 2017 and 2016, 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 the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

2. REPORTING CURRENCY

The functional currency of the Company, as the parent corporate entity, and its 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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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). Based on the Company’s work to date, it believes it has identified all material contract types and costs that may be impacted by this amended guidance. The Company expects to quantify and disclose the expected impact, if any, of adopting this amended guidance in the Quarterly Report on Form 10-Q for the third quarter of 2017. While the Company is still evaluating the impact of the amended guidance, it currently does not expect it to have a material impact on operating revenues.

Upon adoption of the amended guidance, the Company anticipates recognizing an asset from the capitalization of sales incentives as contract acquisition costs. Under the amended guidance, sales incentives will be capitalized and amortized over the expected life of the customer relationship. Currently, the Company expenses approximately \$16,000 in sales incentives annually. As noted above, the Company is still evaluating the possible impacts on the Company’s disclosures and on its consolidated financial statements, including potential changes in the classification of certain revenue streams and costs currently reported on a gross basis and the amount of sales incentives that will be capitalized. The Company is currently planning to adopt the amended guidance using the modified retrospective method as of January 1, 2018.

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. The Company adopted this guidance as of January 1, 2017, which resulted in the Company’s current deferred tax assets being recorded as noncurrent on a retrospective basis. The Company’s current deferred tax assets were \$82,440 and \$89,177 at June 30, 2017 and December 31, 2016, 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 yet assessed the potential impact of implementing this new accounting standard on its consolidated financial statements.

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 share 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. As such, the Company adopted this standard on January 1, 2017 and classified the excess tax benefits associated with equity-based compensation arrangements, which were \$6,792 during the six months ended June 30, 2017, as a discrete item within Income tax provision on the Condensed Consolidated Statements of Net Income, rather than recognizing such excess income tax benefits in Additional paid-in capital on the Condensed Consolidated Statements of Equity. This reclassification was made on a prospective basis and also impacted the related classification on the Company’s Condensed Consolidated Statements of Cash Flows as excess tax benefits associated with equity-based compensation arrangements were previously reported in cash flows from operating activities and cash flows from financing activities. Under the new standard, excess tax benefits associated with equity-based compensation are only reported in cash flows from operating activities. Additionally, the Company now recognizes gross share compensation expense with actual forfeitures as they occur, which differs from the Company’s previous accounting policy to estimate forfeitures each period. Using the modified retrospective approach, the Company recorded a cumulative effect adjustment to Retained earnings of \$1,384 for the differential between the amount of compensation cost previously recorded and the amount that would have been recorded without assuming forfeitures.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, 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.

Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. In October 2016, the FASB issued guidance that eliminates the exception for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The modified retrospective approach will be required for transition to the new guidance, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted; however, the guidance can only be adopted in the first interim period of a fiscal year. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

Statement of Cash Flows: Restricted Cash. In November 2016, the FASB issued guidance that requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. 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, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect the adoption of this guidance to have a material impact on the Company's statement of cash flows.

Simplifying the Test for Goodwill Impairment. In January 2017, the FASB issued guidance that simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. The new standard will be applied prospectively, and is effective for public companies for their annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company early adopted this new guidance on January 1, 2017. During the year ended December 31, 2016, the Company did not record any impairment charges related to goodwill; however, the results of the Company's annual impairment testing indicated that the carrying value of its E&P segment exceeded its fair value by more than \$77,343, which was the carrying value of goodwill at its E&P segment at December 31, 2016. Upon adopting this accounting guidance in the first quarter of 2017, the Company performed an updated impairment test for its E&P segment which showed its carrying value continued to exceed its fair value by an amount in excess of the carrying amount of goodwill, or \$77,343. Therefore, the Company recorded an impairment charge of \$77,343, consisting of the carrying amount of goodwill at its E&P segment at January 1, 2017, to Impairments and other operating charges in the Condensed Consolidated Statements of Net Income during the six months ended June 30, 2017.

Stock Compensation: Scope of Modification Accounting. In May 2017, the FASB issued guidance to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The new standard is effective prospectively for all companies for annual periods beginning on or after December 15, 2017. Early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

4. RECLASSIFICATION

As disclosed within other footnotes of the financial statements, deferred tax amounts reported in the Company's prior year have been reclassified to conform with the 2017 presentation.

5. LANDFILL ACCOUNTING

At June 30, 2017, the Company owned or operated 68 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 June 30, 2017, the Company's landfills consisted of 79 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 \$2,689,906 at June 30, 2017. 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 June 30, 2017, 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 25 years. As of June 30, 2017, the Company is seeking to expand permitted capacity at 16 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 31 years, with lives ranging from approximately 1 to 196 years.

During the six months ended June 30, 2017 and 2016, the Company expensed \$93,968 and \$49,685, respectively, or an average of \$4.51 and \$3.92 per ton consumed, respectively, related to landfill depletion at owned landfills and landfills operated under life-of-site agreements.

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 2017 and 2016 "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 2016 and 2015. The Company's inflation rate assumption is 2.5% for the years ending December 31, 2017 and 2016. 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 six months ended June 30, 2017 and 2016, the Company expensed \$5,775 and \$2,763 respectively, or an average of \$0.27 and \$0.22 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2016 to June 30, 2017:

Final capping, closure and post-closure liability at December 31, 2016	\$ 244,909
Adjustments to final capping, closure and post-closure liabilities	(30,703)
Liabilities incurred	7,280
Accretion expense associated with landfill obligations	5,775
Closure payments	(2,545)
Foreign currency translation adjustment	925
Final capping, closure and post-closure liability at June 30, 2017	\$ 225,641

The Adjustments to final capping, closure and post-closure liabilities primarily consisted of decreases in estimated closure and post closure costs at several of our landfills, most notably our landfill at Seneca Meadows, and changes in engineering estimates related to timing of closure events and total site capacity. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At June 30, 2017 and December 31, 2016, \$57,135 and \$55,388 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 3.1152645 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 3.1152645 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.

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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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 January 1, 2017 to June 30, 2017, generated from the operations acquired in the Progressive Waste acquisition and included within consolidated revenues, were \$1,001,653. Total pre-tax earnings during the period from January 1, 2017 to June 30, 2017, generated from the operations acquired in the Progressive Waste acquisition and included within consolidated income before income taxes, were \$116,887, and includes \$50,377 of expenses recorded in Impairments and other operating items.

The following table summarizes the consideration transferred to acquire Progressive Waste and the 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	(65,768)
Net fair value of consideration transferred	<u>5,166,668</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with the business acquired:	
Accounts receivable	231,709
Prepaid expenses and other current assets	28,623
Restricted assets	16,551
Property and equipment	2,063,011
Contracts	223,885
Customer lists	191,679
Other intangibles	218,499
Other assets	4,491
Accounts payable and accrued liabilities	(264,992)
Deferred revenue	(35,635)
Contingent consideration	(19,412)
Other long-term liabilities	(185,774)
Deferred income taxes	(329,552)
Total identifiable net assets	<u>2,143,083</u>
Goodwill	<u>\$ 3,023,585</u>

Following the merger of Merger Sub into Old Waste Connections, and the issuance of 3.1152645 New Waste Connections shares for each Old Waste Connections share after giving effect to the Consolidation, the Company issued an additional 78,218,878 common shares at \$44.79, 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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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 originally computed at \$7,315, 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. During the six months ended June 30, 2017, the Company recorded \$11,313 to Impairments and other operating charges in the Condensed Consolidated Statements of Net Income to increase the fair value of the amount payable under this liability-classified contingent consideration arrangement. The second contingent amount payable had 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, which was paid during the six months ended June 30, 2017.

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 certain tax, audit and legal matters of 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. 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 was \$239,212, of which \$7,503 was 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 \$758 and \$31,559 of acquisition-related costs for the Progressive Waste acquisition during the six months ended June 30, 2017 and 2016, respectively. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

Other Acquisitions

In January 2017, the Company acquired Groot Industries, Inc. ("Groot"). Groot is the largest privately-owned solid waste services company in Illinois with total annual revenue of approximately \$200,000. Groot serves approximately 300,000 customers primarily in northern Illinois from a network of seven collection operations, six transfer stations and one recycling facility.

In addition to the acquisition of Groot, the Company acquired six individually immaterial non-hazardous solid waste collection businesses during the six months ended June 30, 2017. The total acquisition-related costs incurred during the six months ended June 30, 2017 for these acquisitions was \$1,701. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

The Company acquired eight individually immaterial non-hazardous solid waste collection businesses during the six months ended June 30, 2016. The total acquisition-related costs incurred during the six months ended June 30, 2016 for these acquisitions was \$636. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The following table summarizes the consideration transferred and the preliminary amounts of identifiable assets acquired and liabilities assumed at the acquisition dates for the acquisitions consummated in the six months ended June 30, 2017 and 2016:

	2017	2016
	Acquisitions	Acquisitions
Fair value of consideration transferred:		
Cash	\$ 347,936	\$ 12,541
Debt assumed	56,957	-
Notes issued to sellers	13,460	-
Fair value of operations exchanged	4,500	-
	<u>422,853</u>	<u>12,541</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired:		
Accounts receivable	13,264	486
Prepaid expenses and other current assets	2,586	476
Property and equipment	128,298	2,782
Long-term franchise agreements and contracts	31,700	-
Customer lists	17,032	5,001
Other intangibles	27,261	-
Other assets	487	261
Accounts payable and accrued liabilities	(11,119)	(741)
Deferred revenue	(3,176)	(610)
Contingent consideration	(15)	(345)
Other long-term liabilities	(1,080)	-
Deferred income taxes	(50,283)	-
Total identifiable net assets	<u>154,955</u>	<u>7,310</u>
Goodwill	<u>\$ 267,898</u>	<u>\$ 5,231</u>

Goodwill acquired during the six months ended June 30, 2017, totaling \$11,111, is expected to be deductible for tax purposes. The acquisitions of eight non-hazardous solid waste collection businesses resulted in goodwill acquired during the six months ended June 30, 2016, totaling \$5,231, which is expected to be deductible for tax purposes.

The fair value of acquired working capital related to five individually immaterial acquisitions completed during the six months ended June 30, 2017, 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 five acquisitions are not expected to be material to the Company's financial position.

The gross amount of trade receivables due under contracts acquired during the six months ended June 30, 2017, is \$13,964, of which \$700 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the six months ended June 30, 2016, is \$876, of which \$390 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisitions of these businesses.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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 six months ended June 30, 2016, were acquired as of January 1, 2016 (unaudited):

	Six Months Ended June 30, 2016
Total revenue	\$ 2,051,327
Net income	178,058
Basic income per share	0.68
Diluted income per share	0.67

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, 2016, 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 associated with Progressive Waste interest rate swaps resulting from its credit facility being terminated, depreciation expense on acquired property and equipment, amortization of identifiable intangible assets acquired, depletion expense on acquired landfills and provision for income taxes.

7. ASSETS HELD FOR SALE

Certain operating markets acquired in the Progressive Waste acquisition have characteristics that are not consistent with the Company's operating strategy and meet the held for sale criteria as of December 31, 2016 and June 30, 2017. During the six months ended June 30, 2017, the Company completed the sale of all assets and liabilities in the Washington, D.C. market in its Eastern segment for cash and non-monetary consideration totaling \$25,532. During the six months ended June 30, 2017, the Company also completed the sale of an operation in the Florida market in its Southern segment for non-monetary consideration totaling \$4,500. As of June 30, 2017, the remaining assets classified as held for sale consist of certain operating markets in the Company's Southern segment. The assets held for sale as of June 30, 2017 have been recognized at the lower of cost or fair value less costs to sell, which resulted in recording an estimated loss on disposal of \$43,873 during the six months ended June 30, 2017. The expected consideration will include cash and non-monetary assets consisting of other solid waste collection businesses.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Our assets and liabilities held for sale as of June 30, 2017 and December 31, 2016, were comprised of the following:

	June 30, 2017	December 31, 2016
Current assets held for sale:		
Cash and equivalents	\$ 347	\$ 42
Accounts receivable	7,405	5,726
Other current assets	979	571
	<u>\$ 8,731</u>	<u>\$ 6,339</u>
Long-term assets held for sale:		
Property and equipment	\$ 62,211	\$ 33,624
Goodwill	17,215	244
Other assets	22	121
	<u>\$ 79,448</u>	<u>\$ 33,989</u>
Current liabilities held for sale:		
Accounts payable	\$ 2,789	\$ 1,320
Accrued liabilities	885	1,811
Deferred revenue	2,691	252
	<u>\$ 6,365</u>	<u>\$ 3,383</u>
Long-term liabilities held for sale:		
Other liabilities	\$ 463	-

8. GOODWILL AND INTANGIBLE ASSETS, NET

The Company elected to early adopt the guidance issued by the FASB “Simplifying the Test for Goodwill Impairment” on January 1, 2017. As discussed in Note 3, the new guidance removes Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. As such, the impairment analysis is only one step. In this step, the Company estimates the fair value of each of its reporting units, which consisted of five geographic operating segments and its E&P segment at June 30, 2017, 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, an impairment charge is recorded for the amount by which the carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

During the year ended December 31, 2016, the Company did not record any impairment charges related to goodwill; however, the results of the Company’s annual impairment testing indicated that the carrying value of its E&P segment exceeded its fair value by more than \$77,343, which was the carrying value of goodwill at its E&P segment at December 31, 2016. Upon adopting this accounting guidance in the first quarter of 2017, the Company performed an updated impairment test for its E&P segment. The impairment test 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 11.7%, 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. The impairment test showed the carrying value of the E&P segment continued to exceed its fair value by an amount in excess of the carrying amount of goodwill, or \$77,343. Therefore, the Company recorded an impairment charge of \$77,343, consisting of the carrying amount of goodwill at its E&P segment at January 1, 2017, to Impairments and other operating charges in the Condensed Consolidated Statements of Net Income during the six months ended June 30, 2017.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Intangible assets, exclusive of goodwill, consisted of the following at June 30, 2017:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 452,025	\$ (103,551)	\$ -	\$ 348,474
Customer lists	387,209	(155,341)	-	231,868
Permits and other	315,772	(28,719)	-	287,053
	<u>1,155,006</u>	<u>(287,611)</u>	<u>-</u>	<u>867,395</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	-	(38,507)	21,348
	<u>254,899</u>	<u>-</u>	<u>(38,507)</u>	<u>216,392</u>
Intangible assets, exclusive of goodwill	<u>\$ 1,409,905</u>	<u>\$ (287,611)</u>	<u>\$ (38,507)</u>	<u>\$ 1,083,787</u>

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the six months ended June 30, 2017 was 19.2 years. The weighted-average amortization period of customer lists acquired during the six months ended June 30, 2017 was 10.0 years. The weighted-average amortization period of finite-lived permits and other acquired during the six months ended June 30, 2017 was 40.0 years.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2016:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 428,783	\$ (86,552)	\$ -	\$ 342,231
Customer lists	371,203	(131,525)	-	239,678
Permits and other	290,823	(21,966)	-	268,857
	<u>1,090,809</u>	<u>(240,043)</u>	<u>-</u>	<u>850,766</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	-	(38,507)	21,348
	<u>254,899</u>	<u>-</u>	<u>(38,507)</u>	<u>216,392</u>
Intangible assets, exclusive of goodwill	<u>\$ 1,345,708</u>	<u>\$ (240,043)</u>	<u>\$ (38,507)</u>	<u>\$ 1,067,158</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, 2017	\$ 100,344
For the year ending December 31, 2018	\$ 93,108
For the year ending December 31, 2019	\$ 83,147
For the year ending December 31, 2020	\$ 75,471
For the year ending December 31, 2021	\$ 66,754

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

9. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2017	December 31, 2016
Revolver under Credit Agreement, bearing interest ranging from 2.18% to 2.95% ^(a)	\$ 256,995	\$ 310,582
Term loan under Credit Agreement, bearing interest at 2.43% ^(a)	1,637,500	1,637,500
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	150,000
2022 Notes, bearing interest at 3.09%	125,000	125,000
2023 Notes, bearing interest at 2.75%	200,000	200,000
2024 Notes, bearing interest at 3.24%	150,000	-
2025 Notes, bearing interest at 3.41%	375,000	375,000
2026 Notes, bearing interest at 3.03%	400,000	400,000
2027 Notes, bearing interest at 3.49%	250,000	-
Tax-exempt bonds, bearing interest ranging from 0.97% to 1.00% ^(a)	95,430	95,430
Notes payable to sellers and other third parties, bearing interest at 2.00% to 24.81% ^(a)	26,935	14,180
	<u>3,991,860</u>	<u>3,632,692</u>
Less – current portion	(11,511)	(1,650)
Less – debt issuance costs	(16,440)	(14,282)
	<u>\$ 3,963,909</u>	<u>\$ 3,616,760</u>

^(a) Interest rates represent the interest rates incurred at June 30, 2017.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Details of the Credit Agreement are as follows:

	June 30, 2017	December 31, 2016
<i>Revolver under Credit Agreement</i>		
Available	\$ 1,089,603	\$ 1,004,451
Letters of credit outstanding	\$ 215,902	\$ 247,467
Total amount drawn, as follows:	\$ 256,995	\$ 310,582
Amount drawn – Canadian prime rate loan	\$ 11,559	\$ 7,448
Interest rate applicable - Canadian prime rate loan	2.95%	2.95%
Amount drawn – Canadian BA loan	\$ 245,436	\$ 303,134
Interest rate applicable – Canadian BA loan	2.18%	2.13%
Commitment – rate applicable	0.15%	0.15%
<i>Term loan under Credit Agreement</i>		
Amount drawn – U.S. based LIBOR loan	\$ 1,637,500	\$ 1,637,500
Interest rate applicable – U.S. based LIBOR loan	2.43%	1.97%

On April 20, 2017, pursuant to the First Supplement to Master Note Purchase Agreement with certain accredited institutional investors, the Company issued and sold to the investors \$400,000 aggregate principal amount of senior unsecured notes consisting of (i) \$150,000 of 3.24% series 2017A senior notes, tranche A due April 20, 2024 (the “2024 Notes”) and (ii) \$250,000 of 3.49% series 2017A senior notes, tranche B due April 20, 2027 (the “2027 Notes”) (collectively, the “2017A Senior Notes”) in a private placement. The 2017A Senior Notes bear interest at fixed rates with interest payable in arrears semi-annually on the first day of October and April beginning on October 1, 2017, and on the respective maturity dates, until the principal thereunder becomes due and payable.

The 2017A Senior Notes are unsecured obligations and rank pari passu with obligations under the Credit Agreement, the 2016 Senior Notes and the 2008 Notes. The 2017A Senior Notes are subject to representations, warranties, covenants and events of default. Upon the occurrence of an event of default, payment of the 2017A Senior Notes may be accelerated by the holders of the respective notes. The 2017A Senior Notes may also be prepaid by the Company at any time at par plus a make-whole amount determined in respect of the remaining scheduled interest payments on the respective notes, using a discount rate of the then current market standard for United States treasury bills plus 0.50%. In addition, the Company will be required to offer to prepay the 2017A Senior Notes upon certain changes in control.

The Company intends to use the proceeds from the sale of the 2017A Senior Notes for general corporate purposes.

10. 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. 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 and Wisconsin; the Company’s Canada segment services customers located in the provinces of Alberta, British Columbia, Manitoba, Ontario and Québec; 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 OF U.S. DOLLARS, 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 10.

Summarized financial information concerning the Company's reportable segments for the three and six months ended June 30, 2017 and 2016, is shown in the following tables:

Three Months Ended June 30, 2017	Revenue	Intercompany Revenue^(b)	Reported Revenue	Segment EBITDA^(c)
Southern	\$ 323,108	\$ (37,725)	\$ 285,383	\$ 67,168
Western	288,953	(31,461)	257,492	87,045
Eastern	292,327	(46,017)	246,310	72,095
Canada	206,629	(26,332)	180,297	66,365
Central	182,781	(23,363)	159,418	60,716
E&P	48,677	(2,008)	46,669	21,092
Corporate ^(a)	-	-	-	(11,162)
	<u>\$ 1,342,475</u>	<u>\$ (166,906)</u>	<u>\$ 1,175,569</u>	<u>\$ 363,319</u>

Three Months Ended June 30, 2016	Revenue	Intercompany Revenue^(b)	Reported Revenue	Segment EBITDA^(c)
Southern	\$ 137,169	\$ (16,618)	\$ 120,551	\$ 27,228
Western	265,911	(29,480)	236,431	79,835
Eastern	168,824	(26,240)	142,584	44,824
Canada	70,103	(9,518)	60,585	23,555
Central	157,997	(18,327)	139,670	52,578
E&P	31,002	(3,184)	27,818	6,485
Corporate ^(a)	-	-	-	(75,865)
	<u>\$ 831,006</u>	<u>\$ (103,367)</u>	<u>\$ 727,639</u>	<u>\$ 158,640</u>

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Six Months Ended June 30, 2017	Revenue	Intercompany Revenue^(b)	Reported Revenue	Segment EBITDA^(c)
Southern	\$ 640,447	\$ (74,942)	\$ 565,505	\$ 136,108
Western	552,954	(59,872)	493,082	162,613
Eastern	565,624	(87,827)	477,797	137,546
Canada	391,960	(48,627)	343,333	123,665
Central	346,593	(42,866)	303,727	113,368
E&P	87,743	(4,352)	83,391	35,637
Corporate ^(a)	-	-	-	(26,783)
	<u>\$ 2,585,321</u>	<u>\$ (318,486)</u>	<u>\$ 2,266,835</u>	<u>\$ 682,154</u>

Six Months Ended June 30, 2016	Revenue	Intercompany Revenue^(b)	Reported Revenue	Segment EBITDA^(c)
Southern	\$ 180,135	\$ (22,665)	\$ 157,470	\$ 36,717
Western	512,775	(57,111)	455,664	153,625
Eastern	297,040	(46,660)	250,380	79,438
Canada	70,103	(9,518)	60,585	23,555
Central	291,895	(32,288)	259,607	96,431
E&P	64,098	(5,485)	58,613	13,034
Corporate ^(a)	-	-	-	(84,353)
	<u>\$ 1,416,046</u>	<u>\$ (173,727)</u>	<u>\$ 1,242,319</u>	<u>\$ 318,447</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.
- (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 the Company's most recent Annual Report on Form 10-K.

Total assets for each of the Company's reportable segments at June 30, 2017 and December 31, 2016, were as follows:

	June 30, 2017	December 31, 2016
Southern	\$ 2,801,661	\$ 2,869,841
Western	1,518,397	1,516,870
Eastern	1,944,737	1,541,854
Canada	2,583,098	2,532,046
Central	1,304,610	1,302,900
E&P	986,957	1,068,086
Corporate	515,903	272,328
Total Assets	<u>\$ 11,655,363</u>	<u>\$ 11,103,925</u>

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The following tables show changes in goodwill during the six months ended June 30, 2017 and 2016, by reportable segment:

	Southern	Western	Eastern	Canada	Central	E&P	Total
Balance as of December 31, 2016	\$1,470,023	\$ 376,537	\$ 533,160	\$1,465,274	\$ 467,924	\$ 77,343	\$4,390,261
Goodwill acquired	10,335	-	249,724	7,128	711	-	267,898
Impairment loss	-	-	-	-	-	(77,343)	(77,343)
Goodwill adjustment for assets sold	2,205	-	321	-	-	-	2,526
Impairment loss related to assets held for sale	(27,311)	-	-	-	-	-	(27,311)
Goodwill reclassified as assets held for sale	(17,215)	-	-	-	-	-	(17,215)
Impact of changes in foreign currency	-	-	-	50,757	-	-	50,757
Balance as of June 30, 2017	<u>\$1,438,037</u>	<u>\$ 376,537</u>	<u>\$ 783,205</u>	<u>\$1,523,159</u>	<u>\$ 468,635</u>	<u>\$ -</u>	<u>\$4,589,573</u>

	Southern	Western	Eastern	Canada	Central	E&P	Total
Balance as of December 31, 2015	\$ 95,710	\$ 373,820	\$ 459,532	\$ -	\$ 416,420	\$ 77,343	\$1,422,825
Goodwill acquired	1,241,419	2,673	70,723	1,510,220	42,113	-	2,867,148
Impact of changes in foreign currency	-	-	-	9,490	-	-	9,490
Balance as of June 30, 2016	<u>\$1,337,129</u>	<u>\$ 376,493</u>	<u>\$ 530,255</u>	<u>\$1,519,710</u>	<u>\$ 458,533</u>	<u>\$ 77,343</u>	<u>\$4,299,463</u>

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Southern segment EBITDA	\$ 67,168	\$ 27,228	\$ 136,108	\$ 36,717
Western segment EBITDA	87,045	79,835	162,613	153,625
Eastern segment EBITDA	72,095	44,824	137,546	79,438
Canada segment EBITDA	66,365	23,555	123,665	23,555
Central segment EBITDA	60,716	52,578	113,368	96,431
E&P segment EBITDA	21,092	6,485	35,637	13,034
Subtotal reportable segments	374,481	234,505	708,937	402,800
Unallocated corporate overhead	(11,162)	(75,865)	(26,783)	(84,353)
Depreciation	(132,827)	(84,348)	(258,067)	(145,245)
Amortization of intangibles	(24,762)	(14,081)	(50,272)	(21,775)
Impairments and other operating items	1,180	3,284	(140,501)	3,048
Interest expense	(31,160)	(20,485)	(60,291)	(37,670)
Other income (expense), net	1,860	(714)	3,326	(492)
Foreign currency transaction gain (loss)	(1,048)	689	(1,638)	689
Income before income tax provision	<u>\$ 176,562</u>	<u>\$ 42,985</u>	<u>\$ 174,711</u>	<u>\$ 117,002</u>

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

	Three months ended June 30, 2017			% of Reported Revenue
	Revenue	Intercompany Revenue	Reported Revenue	
Solid waste collection	\$ 797,131	\$ (2,392)	\$ 794,739	67.6%
Solid waste disposal and transfer	416,176	(158,937)	257,239	21.9
Solid waste recycling	43,693	(2,351)	41,342	3.5
E&P waste treatment, recovery and disposal	50,043	(2,870)	47,173	4.0
Intermodal and other	35,432	(356)	35,076	3.0
Total	<u>\$ 1,342,475</u>	<u>\$ (166,906)</u>	<u>\$ 1,175,569</u>	<u>100.0%</u>

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Three months ended June 30, 2016

	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 502,948	\$ (1,778)	\$ 501,170	68.9%
Solid waste disposal and transfer	256,847	(96,815)	160,032	22.0
Solid waste recycling	18,119	(1,393)	16,726	2.3
E&P waste treatment, recovery and disposal	30,734	(3,253)	27,481	3.8
Intermodal and other	22,358	(128)	22,230	3.0
Total	<u>\$ 831,006</u>	<u>\$ (103,367)</u>	<u>\$ 727,639</u>	<u>100.0%</u>

Six months ended June 30, 2017

	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 1,565,478	\$ (4,592)	\$ 1,560,886	68.9%
Solid waste disposal and transfer	773,201	(302,378)	470,823	20.8
Solid waste recycling	87,581	(4,935)	82,646	3.6
E&P waste treatment, recovery and disposal	89,864	(5,838)	84,026	3.7
Intermodal and other	69,197	(743)	68,454	3.0
Total	<u>\$ 2,585,321</u>	<u>\$ (318,486)</u>	<u>\$ 2,266,835</u>	<u>100.0%</u>

Six months ended June 30, 2016

	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 859,546	\$ (3,099)	\$ 856,447	68.9%
Solid waste disposal and transfer	426,929	(162,849)	264,080	21.3
Solid waste recycling	28,738	(2,031)	26,707	2.1
E&P waste treatment, recovery and disposal	63,586	(5,620)	57,966	4.7
Intermodal and other	37,247	(128)	37,119	3.0
Total	<u>\$ 1,416,046</u>	<u>\$ (173,727)</u>	<u>\$ 1,242,319</u>	<u>100.0%</u>

11. 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 income (loss) ("AOCIL") 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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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 June 30, 2017 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

At June 30, 2017, the Company's derivative instruments included 11 interest rate swap agreements as follows:

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

At June 30, 2017, the Company's derivative instruments included four fuel hedge agreements as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed (per gallon)	Diesel Rate Received Variable	Effective Date	Expiration Date
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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

The fair values of derivative instruments designated as cash flow hedges as of June 30, 2017, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets ^(a)	\$ 1,428	Accrued liabilities ^(a)	\$ (2,411)
	Other assets, net	11,068	Other long-term liabilities	(1,781)
Fuel hedges	Prepaid expenses and other current assets ^(b)	103	Accrued liabilities ^(b)	(2,606)
			Other long-term liabilities	(174)
Total derivatives designated as cash flow hedges		<u>\$ 12,599</u>		<u>\$ (6,972)</u>

(a) Represents the estimated amount of the existing unrealized gains and losses, respectively, on interest rate swaps as of June 30, 2017 (based on the interest rate yield curve at that date), included in AOCIL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

(b) Represents the estimated amount of the existing unrealized gains and losses, respectively, on fuel hedges as of June 30, 2017 (based on the forward DOE diesel fuel index curve at that date), included in AOCIL 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, 2016, were as follows:

Derivatives Designated as Cash Flow Hedges	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets	\$ 127	Accrued liabilities	\$ (3,260)
	Other assets, net	13,822	Other long-term liabilities	(2,350)
Fuel hedges	Prepaid expenses and other current assets	1,343	Accrued liabilities	(3,258)
	Other assets, net	1,651		
Total derivatives designated as cash flow hedges		<u>\$ 16,943</u>		<u>\$ (8,868)</u>

The following table summarizes the impact of the Company's cash flow hedges on the results of operations, comprehensive income (loss) and AOCIL for the three and six months ended June 30, 2017 and 2016:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax (Effective Portion) ^(a)		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax (Effective Portion) ^{(b),(c)}	
	Three Months Ended June 30,			Three Months Ended June 30,	
	2017	2016		2017	2016
Interest rate swaps	\$ (4,098)	\$ (2,352)	Interest expense	\$ 558	\$ 1,047
Fuel hedges	(720)	1,017	Cost of operations	626	911
Total	<u>\$ (4,818)</u>	<u>\$ (1,335)</u>		<u>\$ 1,184</u>	<u>\$ 1,958</u>

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax (Effective Portion) ^(a)		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax (Effective Portion) ^{(b),(c)}	
	Six Months Ended June 30,			Six Months Ended June 30,	
	2017	2016		2017	2016
Interest rate swaps	\$ (1,379)	\$ (6,493)	Interest expense	\$ 1,353	\$ 2,105
Fuel hedges	(2,714)	210	Cost of operations	1,222	2,025
Total	\$ (4,093)	\$ (6,283)		\$ 2,575	\$ 4,130

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

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

(c) Amounts reclassified from AOCIL into earnings related to realized gains and losses on 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 six months ended June 30, 2017 and 2016.

See Note 15 for further discussion on the impact of the Company's hedge accounting to its consolidated comprehensive income (loss) and AOCIL.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

12. 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, 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 June 30, 2017 and December 31, 2016, are as follows:

	Carrying Value at		Fair Value* at	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
4.00% Senior Notes due 2018	\$ 50,000	\$ 50,000	\$ 50,734	\$ 51,226
5.25% Senior Notes due 2019	\$ 175,000	\$ 175,000	\$ 186,411	\$ 187,671
4.64% Senior Notes due 2021	\$ 100,000	\$ 100,000	\$ 106,979	\$ 106,618
2.39% Senior Notes due 2021	\$ 150,000	\$ 150,000	\$ 148,267	\$ 146,168
3.09% Senior Notes due 2022	\$ 125,000	\$ 125,000	\$ 126,099	\$ 123,974
2.75% Senior Notes due 2023	\$ 200,000	\$ 200,000	\$ 196,690	\$ 192,238
3.24% Senior Notes due 2024	\$ 150,000	\$ -	\$ 150,597	\$ -
3.41% Senior Notes due 2025	\$ 375,000	\$ 375,000	\$ 378,842	\$ 368,968
3.03% Senior Notes due 2026	\$ 400,000	\$ 400,000	\$ 391,387	\$ 379,438
3.49% Senior Notes due 2027	\$ 250,000	\$ -	\$ 251,601	\$ -

*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 14.

13. NET INCOME PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company's shareholders for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net income attributable to Waste Connections for basic and diluted earnings per share	\$ 123,656	\$ 27,489	\$ 138,530	\$ 72,331
Denominator:				
Basic shares outstanding	263,387,338	210,305,335	263,225,541	197,244,873
Dilutive effect of equity-based awards	722,256	575,397	781,766	791,919
Diluted shares outstanding	264,109,594	210,880,732	264,007,307	198,036,792

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

14. 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 \$2.51 to \$2.62 at June 30, 2017 and from \$2.61 to \$2.78 at December 31, 2016. The weighted average DOE index curve used in the DCF model was \$2.57 and \$2.75 at June 30, 2017 and December 31, 2016, 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.

The Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2017 and December 31, 2016, were as follows:

	Fair Value Measurement at June 30, 2017 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap derivative instruments – net asset position	\$ 8,304	\$ -	\$ 8,304	\$ -
Fuel hedge derivative instruments – net liability position	\$ (2,677)	\$ -	\$ -	\$ (2,677)
Restricted assets	\$ 58,985	\$ -	\$ 58,985	\$ -
Contingent consideration	\$ (58,315)	\$ -	\$ -	\$ (58,315)

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

	Fair Value Measurement at December 31, 2016 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap derivative instruments – net asset position	\$ 8,339	\$ -	\$ 8,339	\$ -
Fuel hedge derivative instrument – net liability position	\$ (264)	\$ -	\$ -	\$ (264)
Restricted assets	\$ 57,166	\$ -	\$ 57,166	\$ -
Contingent consideration	\$ (51,826)	\$ -	\$ -	\$ (51,826)

The following table summarizes the changes in the fair value for Level 3 derivatives for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
	2017	2016
Beginning balance	\$ (264)	\$ (9,900)
Realized losses included in earnings	1,976	3,274
Unrealized (gains) losses included in AOCIL	(4,389)	324
Ending balance	\$ (2,677)	\$ (6,302)

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
	2017	2016
Beginning balance	\$ 51,826	\$ 49,394
Contingent consideration recorded at acquisition date	15	13,110
Payment of contingent consideration recorded at acquisition date	(5,565)	(4,109)
Payment of contingent consideration recorded in earnings	-	(132)
Adjustments to contingent consideration	11,013	(2,495)
Interest accretion expense	1,026	756
Ending balance	\$ 58,315	\$ 56,524

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

15. 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 six month periods ended June 30, 2017 and 2016 are as follows:

	Three months ended June 30, 2017		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 760	\$ (202)	\$ 558
Fuel hedge amounts reclassified into cost of operations	1,012	(386)	626
Changes in fair value of interest rate swaps	(2,904)	(1,194)	(4,098)
Changes in fair value of fuel hedges	(1,164)	444	(720)
Foreign currency translation adjustment	53,193	-	53,193
	<u>\$ 50,897</u>	<u>\$ (1,338)</u>	<u>\$ 49,559</u>

	Three months ended June 30, 2016		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 1,693	\$ (646)	\$ 1,047
Fuel hedge amounts reclassified into cost of operations	1,473	(562)	911
Changes in fair value of interest rate swaps	(3,826)	1,474	(2,352)
Changes in fair value of fuel hedges	1,629	(612)	1,017
Foreign currency translation adjustment	12,651	-	12,651
	<u>\$ 13,620</u>	<u>\$ (346)</u>	<u>\$ 13,274</u>

	Six months ended June 30, 2017		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 1,841	\$ (488)	\$ 1,353
Fuel hedge amounts reclassified into cost of operations	1,976	(754)	1,222
Changes in fair value of interest rate swaps	(1,876)	497	(1,379)
Changes in fair value of fuel hedges	(4,389)	1,675	(2,714)
Foreign currency translation adjustment	70,627	-	70,627
	<u>\$ 68,179</u>	<u>\$ 930</u>	<u>\$ 69,109</u>

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

	Six months ended June 30, 2016		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 3,403	\$ (1,298)	\$ 2,105
Fuel hedge amounts reclassified into cost of operations	3,274	(1,249)	2,025
Changes in fair value of interest rate swaps	(10,514)	4,021	(6,493)
Changes in fair value of fuel hedges	324	(114)	210
Foreign currency translation adjustment	12,651	-	12,651
	<u>\$ 9,138</u>	<u>\$ 1,360</u>	<u>\$ 10,498</u>

A rollforward of the amounts included in AOCIL, net of taxes, for the six months ended June 30, 2017 and 2016, is as follows:

	Fuel Hedges	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016	\$ (164)	\$ 8,094	\$ (50,931)	\$ (43,001)
Amounts reclassified into earnings	1,222	1,353	-	2,575
Changes in fair value	(2,714)	(1,379)	-	(4,093)
Foreign currency translation adjustment	-	-	70,627	70,627
Balance at June 30, 2017	<u>\$ (1,656)</u>	<u>\$ 8,068</u>	<u>\$ 19,696</u>	<u>\$ 26,108</u>

	Fuel Hedges	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2015	\$ (6,134)	\$ (6,037)	\$ -	\$ (12,171)
Amounts reclassified into earnings	2,025	2,105	-	4,130
Changes in fair value	210	(6,493)	-	(6,283)
Foreign currency translation adjustment	-	-	12,651	12,651
Balance at June 30, 2016	<u>\$ (3,899)</u>	<u>\$ (10,425)</u>	<u>\$ 12,651</u>	<u>\$ (1,673)</u>

See Note 11 for further discussion on the Company's derivative instruments.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

16. SHAREHOLDERS' EQUITY

Share split

On April 26, 2017, the Company announced that its Board of Directors approved a split of its common shares on a three-for-two basis, which was approved by its shareholders at the Company's Annual and Special Meeting of Shareholders of Waste Connections on May 23, 2017. Shareholders of record on June 7, 2017 received from the Company's transfer agent on June 16, 2017, one additional common share for every two common shares held. All share and per share amounts for all periods presented have been retroactively adjusted to reflect the share split.

Share-Based Compensation

Restricted Share Units – New Waste Connections

A summary of activity related to restricted share units ("RSUs") during the six-month period ended June 30, 2017, is presented below:

	Unvested Shares
Outstanding at December 31, 2016	1,252,291
Granted	413,179
Forfeited	(26,483)
Vested and issued	(534,881)
Vested and deferred	(34,033)
Outstanding at June 30, 2017	1,070,073

The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the six-month period ended June 30, 2017 was \$56.99.

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 June 30, 2017 and 2016, the Company had 352,263 and 366,337 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 six-month period ended June 30, 2017, is presented below:

	Unvested Shares
Outstanding at December 31, 2016	427,144
Granted	210,103
Vested and issued	(122,786)
Outstanding at June 30, 2017	514,461

During the six months ended June 30, 2017, the Compensation Committee granted PSUs with three-year performance-based metrics that the Company must meet before those awards may be earned, and the performance period for those grants ends on December 31, 2019. During the same period, the Compensation Committee also granted PSUs 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 six-month period ended June 30, 2017 was \$57.47.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Deferred Share Units – New Waste Connections and Progressive Waste Plans

A summary of activity related to deferred share units (“DSUs”) during the six-month period ended June 30, 2017, is presented below:

	Vested Shares
Outstanding at December 31, 2016	68,942
Granted	4,725
Share settled	(35,416)
Cash settled	(25,113)
Outstanding at June 30, 2017	13,138

Restricted Share Units - Progressive Waste Plans

The Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting of restricted share units (“RSUs”). A summary of activity related to Progressive Waste RSUs during the six-month period ended June 30, 2017, is presented below:

Outstanding at December 31, 2016	269,233
Cash settled	(65,211)
Outstanding at June 30, 2017	204,022

A summary of vesting activity related to Progressive Waste RSUs during the six-month period ended June 30, 2017, is presented below:

Vested at December 31, 2016	222,517
Vested over remaining service period	13,373
Cash settled	(65,211)
Vested at June 30, 2017	170,679

No RSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

Performance-Based Restricted Share Units - Progressive Waste Plans

The Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for cash settlement only to employees upon vesting of performance-based restricted share units (“PSUs”) based on achieving target results. A summary of activity related to Progressive Waste PSUs during the six-month period ended June 30, 2017, is presented below:

Outstanding at December 31, 2016	92,957
Cash settled, net of notional dividend	(37,164)
Outstanding at June 30, 2017	<u>55,793</u>

A summary of vesting activity related to Progressive Waste PSUs during the six-month period ended June 30, 2017, is presented below:

Vested at December 31, 2016	35,727
Vested over remaining service period	8,042
Cash settled, net of notional dividend	(37,164)
Vested at June 30, 2017	<u>6,605</u>

No PSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016.

Share Based Options – Progressive Waste Plans

The Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting of share based options. A summary of activity related to Progressive Waste share based options during the six-month period ended June 30, 2017, is presented below:

Outstanding at December 31, 2016	672,996
Share settled	(33,792)
Cash settled	(322,785)
Forfeited	(9,662)
Outstanding at June 30, 2017	<u>306,757</u>

A summary of vesting activity related to Progressive Waste share based options during the six-month period ended June 30, 2017, is presented below:

Vested at December 31, 2016	601,395
Vested over remaining service period	71,601
Share settled	(33,792)
Cash settled	(322,785)
Forfeited	(9,662)
Vested at June 30, 2017	<u>306,757</u>

No share based options under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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 13,156,098 (after giving effect to the three-for-two share split) 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 90,225 common shares (after giving effect to the three-for-two share split), which represents 25% of the average daily trading volume on the TSX of 360,901 common shares (after giving effect to the three-for-two share split) 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.

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 six months ended June 30, 2017, the Company did not repurchase any common shares pursuant to the NCIB. For the six months ended June 30, 2016, the Company did not repurchase any common shares pursuant to the NCIB nor did Old Waste Connections repurchase shares of its common stock pursuant to its share repurchase program.

Cash Dividend

In October 2016, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.023, from \$0.097 to \$0.12 per share. Dividend amounts reflect the post-split basis of the three-for-two share split completed in June 2017. Cash dividends of \$63,463 and \$35,585 were paid during the six months ended June 30, 2017 and 2016, respectively.

17. 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 June 30, 2017, 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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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") as a potentially responsible party ("PRP"), along with more than 100 others, under the Comprehensive Environmental Response, Compensation and Liability Act ("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 ("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 (the "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.

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. On November 9, 2016, the EPA and the Washington State Department of Ecology ("Ecology") 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. At the meeting, both the EPA and Ecology estimated that the pre-design studies being performed pursuant to the AOC 3 would not be completed until the end of 2019. The EPA and Ecology did not revise that estimate at the EPA stakeholder meeting on June 14, 2017.

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 was hopeful would 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 pre-remedial design work under the AOC 3 is now not expected to conclude until the end of 2019, and in March 2017, the PRPs provided the EPA with notice that the allocation is not scheduled to conclude until mid-2019. In June 2017, attorneys for the EPA informed attorneys for several PRPs that it now expects to begin RD/RA negotiations in the late summer or early fall of 2018. The Company cannot provide assurance that the EPA's schedule can be met or will be adjusted. 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, or 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, including its potential liability.

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.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

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. In December 2016, the Lower Duwamish Fishers Study Data Report was released, which was the first step towards developing institutional controls specific to resident fish and shellfish consumption in the area.

Chiquita Canyon Landfill Conditional Use Permit Decision and Appeal

On October 12, 2004, the Company’s subsidiary, Chiquita Canyon, LLC (“CCL”), filed an application with the County of Los Angeles (the “County”) Department of Regional Planning (the “Department”) for a conditional use permit to authorize the continued operation and expansion of the Chiquita Canyon Landfill. The site has been in use as a landfill since 1972, and as a regional landfill, accepted approximately three million tons of waste in 2016. The application requests expansion of the existing waste footprint from 257 acres to 400 acres on CCL’s contiguous property, increased maximum elevation from 1,430 feet to 1,573 feet, new entrance and support facilities, a facility for the County or other third-party operator to operate household hazardous waste collection events, mixed organics/composting, a land set-aside for a potential future conversion technology facility, and additional project elements.

Over the ensuing 12 and-a-half years, the County conducted a lengthy permitting and environmental impact review of the application. A draft environmental impact report was released in 2014, and several chapters of that report were revised and recirculated in 2016. As required by the County, this permitting and impact review was funded by the Company at substantial expense.

In advance of a public hearing held on April 19, 2017 before the County’s Regional Planning Commission (the “Commission”), the Department published recommended conditions of approval for the conditional use permit. Those conditions recommended approval by the Commission of a smaller project, which would be a reduction from the current landfill operations. In addition, the Department recommended a dramatic increase in per-ton taxes and other fees, as well as currently unquantifiable future costs that the landfill would be forced to expend at the County’s direction and discretion. CCL submitted written objections to the proposed taxes and fees and operational restrictions in the proposed permit conditions, and similarly objected at the hearing.

The recommended conditions of approval raised taxes and fees the landfill must pay to the County by up to 587% compared to fees under the landfill’s existing permit. At the public hearing on April 19, 2017, CCL requested that the recommended fees be reduced, so that the increase over current fees paid to the County would be in the range of 50% to 100%. The recommended conditions of approval reduced the proposed annual limit on overall tonnage the landfill can accept from approximately three million tons to approximately two million tons. At the public hearing on April 19, 2017, CCL requested that the recommended annual limit on overall tonnage be increased to the levels at which the landfill operated in 2016, or to approximately three million tons. Lastly, CCL requested that recommended new restrictions on operating hours be eliminated, so trucks could continue accessing the landfill at off-peak traffic hours, as is the current practice.

Despite these requests, at the public hearing on April 19, 2017, the Commission approved CCL’s application for an expansion of the Chiquita Canyon Landfill and a 30-year extension of its conditional use permit, but without any modifications to the Department’s recommended taxes and fees or annual tonnage limits, and with only minor revisions to the Department’s recommended operating hours.

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

(DOLLAR AMOUNTS IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE, PER TON AND PER GALLON AMOUNTS)

CCL appealed the Commission's decision to the County Board of Supervisors. Four separate appeals were also filed by opponents of the landfill expansion project. The Board of Supervisors conducted a public hearing on all of the appeals on June 27, 2017. At the conclusion of the public hearing, the Board of Supervisors took the following actions: (a) closed the public hearing; (b) certified the Final Environmental Impact Report, California Environmental Quality Act Findings of Fact and Statement of Overriding Considerations, and Mitigation Monitoring and Reporting Program; (c) indicated its intent to deny the appeals and approve the conditional use permit and oak tree permit based on the Commission's approval and additional direction from the Board of Supervisors to revise the conditions of approval with respect to thirteen issue areas; and (d) directed County Counsel to prepare the necessary documents for final approval of the conditional use permit and oak tree permit.

The County Counsel prepared the revised permit conditions and related documents as requested, and the Board of Supervisors approved the conditional use permit, as revised, on July 25, 2017. The revised conditions approved by the Board of Supervisors do provide some relief on taxes and fees and the limits on material that may be received at the Chiquita Canyon Landfill on a daily, monthly, and annual basis. However, the conditional use permit, as revised, also imposes new requirements beyond those that were required by the Commission, and still includes numerous operational restrictions and taxes and fees that will likely make the continued operation of the Chiquita Canyon Landfill less profitable for the Company. CCL is currently considering all of its options concerning the conditional use permit and may file one or more legal challenges against the County if it believes that any of the final permit conditions approved by the County Board of Supervisors violate state or federal law. Due to the fluid nature of the permitting process up to this point, the Company cannot reasonably determine the likelihood of any outcome in these matters.

18. SUBSEQUENT EVENTS

On July 24, 2017, the Board of Directors of the Company approved, subject to receipt of regulatory approvals, the annual renewal of the Company's normal course issuer bid (the "NCIB"). The renewal will follow on the conclusion of the Company's current NCIB expiring August 7, 2017. Upon approval, the Company anticipates that it will be authorized to make purchases during the period of August 8, 2017 to August 7, 2018 or until such earlier time as the NCIB is completed or terminated at the option of the Company.

On July 25, 2017, the Company announced that its Board of Directors approved a regular quarterly cash dividend of \$0.12 per Company common share. The dividend will be paid on August 22, 2017, to shareholders of record on the close of business on August 8, 2017.

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 3.1152645 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 3.1152645 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 draw on our Credit Agreement or raise other capital, the responsibilities of our subsidiaries with regard to possible cleanup obligations imposed by the EPA or other regulatory authorities, 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 (including landfill gas reclamation) 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, our expectations about new accounting standards, our expectations about potential non-performance by counterparties to our hedge agreements and our expectations with respect to the anticipated benefits of the Progressive Waste acquisition and other acquisitions. 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:

- Our industry is highly competitive and includes 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;
- We may lose contracts through competitive bidding, early termination or governmental action;

- Our financial and operating performance may be affected by the inability to renew landfill operating permits, obtain new landfills and expand existing ones;
- Increases in labor costs could impact our financial results;
- Price increases may not be adequate to offset the impact of increased costs, or may cause us to lose customers;
- The integration following the Progressive Waste acquisition may not achieve the anticipated benefits or may disrupt our operations;
- We plan to divest certain assets acquired in the Progressive Waste acquisition, which may result in lower than expected consideration or recorded losses on sale of assets, and such divestitures may take longer than expected to complete;
- A portion of our growth and future financial performance depends on our ability to integrate acquired businesses, and the success of our acquisitions;
- Competition for acquisition candidates, consolidation within the waste industry and economic and market conditions may limit our ability to grow through acquisitions;
- Our results are vulnerable to economic conditions;
- The seasonal nature of our business and “event-driven” waste projects cause our results to fluctuate;
- Our results will be affected by changes in recycled commodity prices;
- Our results will be affected by changes in the value of renewable fuel;
- Lower 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;
- Increases in the price of diesel or compressed natural gas fuel may adversely affect our collection business and reduce our operating margins;
- 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;
- Increases in insurance costs and the amount that we self-insure for various risks could reduce our operating margins and reported earnings;
- 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;
- Pending or future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements;
- Our financial results could be adversely affected by impairments of goodwill, indefinite-lived intangibles or property and equipment;
- Income taxes may be uncertain;
- Future changes to U.S., Canadian and foreign tax laws could materially adversely affect us;
- We may not be able to maintain a competitive effective corporate tax rate;

- 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;
- Our indebtedness could adversely affect our financial condition and limit our financial flexibility;
- We may be unable to obtain performance or surety bonds, letters of credit or other financial assurances or to maintain adequate insurance coverage;
- Our operations in Canada expose us to exchange rate fluctuations that could adversely affect our financial performance and our reported results of operations;
- Alternatives to landfill disposal may cause our revenues and operating results to decline;
- 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;
- 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 business is subject to operational and safety risks, including the risk of personal injury to employees and others;
- 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 E&P waste business could be adversely affected by changes in laws regulating E&P waste;
- Liabilities for environmental damage may adversely affect our financial condition, business and earnings;
- 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; and
- 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.

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 U.S. Securities and Exchange Commission, or SEC, made by the Company, including its most recent Annual Report on Form 10-K, 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 June 30, 2017, we served residential, commercial, industrial and E&P customers in 39 states in the U.S. and five 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, Washington, Wisconsin and Wyoming and the provinces of Alberta, British Columbia, Manitoba, Ontario and Québec. As of June 30, 2017, we owned or operated a network of 269 solid waste collection operations; 141 transfer stations; seven intermodal facilities; 71 recycling operations; 93 active MSW, E&P and/or non-MSW landfills; 22 E&P liquid waste injection wells and 17 E&P waste treatment and oil recovery facilities.

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

Generally, the most profitable operators within the 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 into early 2016, 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. The prices of crude oil and natural gas have recovered from their low point in February 2016 and the demand for our E&P waste services has improved as a result of increased production of oil and natural gas. If this recovery of the prices of crude oil and natural gas is not sustained, or if a further reduction in crude oil and natural gas prices occurs, it 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 intangible assets and property and equipment associated with our E&P operations.

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 our 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 SIX MONTHS ENDED JUNE 30, 2017 AND 2016

The following table sets forth items in our Condensed Consolidated Statements of Net Income in thousands of U.S. dollars and as a percentage of revenues for the periods indicated.

	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
Revenues	\$1,175,569	100.0%	\$ 727,639	100.0%	\$2,266,835	100.0%	\$1,242,319	100.0%
Cost of operations	685,900	58.4	416,262	57.2	1,329,281	58.6	703,453	56.6
Selling, general and administrative	126,350	10.7	152,737	21.0	255,400	11.3	220,419	17.7
Depreciation	132,827	11.3	84,348	11.6	258,067	11.4	145,245	11.7
Amortization of intangibles	24,762	2.1	14,081	1.9	50,272	2.2	21,775	1.8
Impairments and other operating items	(1,180)	(0.1)	(3,284)	(0.4)	140,501	6.2	(3,048)	(0.2)
Operating income	206,910	17.6	63,495	8.7	233,314	10.3	154,475	12.4
Interest expense	(31,160)	(2.7)	(20,485)	(2.8)	(60,291)	(2.7)	(37,670)	(3.0)
Other income (expense), net	1,860	0.2	(714)	(0.0)	3,326	0.2	(492)	(0.0)
Foreign currency transaction gain (loss)	(1,048)	(0.1)	689	0.0	(1,638)	(0.1)	689	0.0
Income tax provision	(52,675)	(4.5)	(15,265)	(2.1)	(35,804)	(1.6)	(44,265)	(3.6)
Net income	123,887	10.5	27,720	3.8	138,907	6.1	72,737	5.8
Net income attributable to noncontrolling interests	(231)	(0.0)	(231)	(0.0)	(377)	(0.0)	(406)	(0.0)
Net income attributable to Waste Connections	<u>\$ 123,656</u>	<u>10.5%</u>	<u>\$ 27,489</u>	<u>3.8%</u>	<u>\$ 138,530</u>	<u>6.1%</u>	<u>\$ 72,331</u>	<u>5.8%</u>

Revenues. Total revenues increased \$448.0 million, or 61.6%, to \$1.176 billion for the three months ended June 30, 2017, from \$727.6 million for the three months ended June 30, 2016.

During the three months ended June 30, 2017, incremental revenue from acquisitions closed during, or subsequent to, the three months ended June 30, 2016, increased revenues by approximately \$390.8 million. The Progressive Waste acquisition contributed \$336.6 million of the increase. Operations from the Progressive Waste acquisition that were divested subsequent to December 31, 2016 decreased revenues by approximately \$4.5 million.

During the three months ended June 30, 2017, the net increase in prices charged to our customers at our existing operations was \$20.9 million, consisting of \$20.5 million of core price increases and \$0.4 million from fuel, materials and environmental surcharges due primarily to an increase in the market price of diesel fuel.

During the three months ended June 30, 2017, volume increases in our existing business increased solid waste revenues by \$13.6 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 increased by \$19.7 million due to a partial recovery in crude oil prices increasing drilling activity and E&P disposal volumes at the majority of our sites, with the most significant increases in the Permian Basin and Louisiana.

Revenues from sales of recyclable commodities at facilities owned during the three months ended June 30, 2017 and 2016 increased \$7.6 million due primarily to increased prices for recyclable commodities, which began to recover in the second half of 2016 and into 2017.

Other revenues increased by \$1.7 million during the three months ended June 30, 2017 due primarily to an increase in landfill gas sales at our Canada segment.

A decrease in the average Canadian dollar to U.S. dollar currency exchange rate resulted in a \$1.8 million decrease in revenues for the three and six months ended June 30, 2017. Our Canada segment was formed in conjunction with the Progressive Waste acquisition on June 1, 2016; therefore, Canadian dollar to U.S. dollar exchange rate changes did not impact our revenues or results of operations prior to June 1, 2016. The average Canadian dollar to U.S. dollar exchange rates were 0.7755 in June 2016 and 0.7521 in June 2017.

Total revenues increased \$1.025 billion, or 82.5%, to \$2.267 billion for the six months ended June 30, 2017, from \$1.242 billion for the six months ended June 30, 2016.

During the six months ended June 30, 2017, incremental revenue from acquisitions closed during, or subsequent to, the six months ended June 30, 2016, increased revenues by approximately \$929.8 million. The Progressive Waste acquisition contributed \$826.9 million of the increase. Operations from the Progressive Waste acquisition that were divested subsequent to December 31, 2016 decreased revenues by approximately \$4.5 million. Other divestitures decreased revenues by \$0.2 million during the comparable periods.

During the six months ended June 30, 2017, the net increase in prices charged to our customers at our existing operations was \$33.5 million, consisting of \$32.8 million of core price increases and \$0.7 million from fuel, materials and environmental surcharges due primarily to an increase in the market price of diesel fuel.

During the six months ended June 30, 2017, volume increases in our existing business increased solid waste revenues by \$23.6 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 increased by \$26.1 million due to a partial recovery in crude oil prices increasing drilling activity and E&P disposal volumes at the majority of our sites, with the most significant increases in the Permian Basin and Louisiana.

Revenues from sales of recyclable commodities at facilities owned during the six months ended June 30, 2017 and 2016 increased \$14.7 million due primarily to increased prices for recyclable commodities, which began to recover in the second half of 2016 and into 2017.

Other revenues increased by \$3.3 million during the six months ended June 30, 2017 due primarily to an increase in rail cargo volume processed through our intermodal facilities and an increase in landfill gas sales at our Canada segment.

Cost of Operations. Total cost of operations increased \$269.6 million, or 64.8%, to \$685.9 million for the three months ended June 30, 2017, from \$416.3 million for the three months ended June 30, 2016. The increase was primarily the result of \$203.2 million of operating costs from the Progressive Waste acquisition, \$37.5 million of additional operating costs from all other acquisitions closed during, or subsequent to, the three months ended June 30, 2016 and an increase in operating costs at our existing operations of \$31.0 million, partially offset by a decrease in operating costs of \$2.1 million at operations divested subsequent to June 30, 2016.

The increase in operating costs at our existing operations of \$31.0 million for the three months ended June 30, 2017 was comprised of an increase in truck, container, equipment and facility maintenance and repair expenses of \$7.0 million due to variability in the timing and severity of major repairs, an increase in taxes on revenues of \$4.4 million due to increased revenues in our solid waste markets, an increase in labor expenses of \$6.1 million due primarily to employee pay rate increases, an increase in third-party trucking and transportation expenses of \$4.9 million due to increased transfer station and landfill volumes that require us to transport the waste to our disposal sites, an increase in employee benefits expenses of \$2.6 million due to increased severity of medical claims, an increase in fuel expense of \$1.3 million due to increases in the market price of diesel fuel, an increase in expenses associated with the purchase of recyclable commodities of \$1.2 million due to increased recyclable commodity values, an increase in leachate disposal expenses of \$1.2 million due to higher precipitation at certain landfills in our Eastern segment and \$2.3 million of other net expense increases.

Total cost of operations increased \$625.8 million, or 89.0%, to \$1.329 billion for the six months ended June 30, 2017, from \$703.5 million for the six months ended June 30, 2016. The increase was primarily the result of \$500.2 million of operating costs from the Progressive Waste acquisition, \$70.2 million of additional operating costs from all other acquisitions closed during, or subsequent to, the six months ended June 30, 2016 and an increase in operating costs at our existing operations of \$55.4 million.

The increase in operating costs at our existing operations of \$55.4 million for the six months ended June 30, 2017 was comprised of an increase in truck, container, equipment and facility maintenance and repair expenses of \$12.1 million due to variability in the timing and severity of major repairs, an increase in labor expenses of \$10.1 million due primarily to employee pay rate increases, an increase in taxes on revenues of \$8.6 million due to increased revenues in our solid waste markets, an increase in third-party trucking and transportation expenses of \$7.1 million due to increased transfer station and landfill volumes that require us to transport the waste to our disposal sites, an increase in employee benefits expenses of \$5.6 million due to increased severity of medical claims, an increase in expenses for auto and workers' compensation claims of \$3.2 million due to actuarial driven average claim rate increases resulting from the inclusion of historical Progressive Waste claim experience into rates for current year claims, an increase in fuel expense of \$3.1 million due to increases in the market price of diesel fuel, an increase in expenses associated with the purchase of recyclable commodities of \$1.9 million due to increased recyclable commodity values, an increase in leachate disposal expenses of \$1.1 million due to higher precipitation at certain landfills in our Eastern segment, an increase in processing cell remediation expenses at our E&P segment of \$1.0 million due to increased disposal volumes, an increase in equipment rental expenses of \$1.0 million primarily at our E&P segment to comply with regulatory requirements and \$0.6 million of other net expense increases.

Cost of operations as a percentage of revenues increased 1.2 percentage points to 58.4% for the three months ended June 30, 2017, from 57.2% for the three months ended June 30, 2016. The components of the 1.2 percentage point increase consist of a 1.4 percentage point increase from acquisitions closed during, or subsequent to, the six months ended June 30, 2016 having operating margins lower than our company average, a 0.3 percentage point increase from increased truck, container, equipment and facility maintenance and repair expenses, a 0.2 percentage point increase from higher taxes on revenues and a 0.2 percentage point increase from higher third party trucking and transportation expenses, partially offset by a 0.7 percentage point decrease from leveraging existing personnel to support increases in solid waste and E&P volumes and the benefit of improved commodity prices and a 0.2 percentage point decrease from all other net changes.

Cost of operations as a percentage of revenues increased 2.0 percentage points to 58.6% for the six months ended June 30, 2017, from 56.6% for the six months ended June 30, 2016. The components of the 2.0 percentage point increase consist of a 2.0 percentage point increase from acquisitions closed during, or subsequent to, the six months ended June 30, 2016 having operating margins lower than our company average, a 0.3 percentage point increase from increased truck, container, equipment and facility maintenance and repair expenses, a 0.2 percentage point increase from higher taxes on revenues, a 0.2 percentage point increase from higher third party trucking and transportation expenses and a 0.2 percentage point increase from higher benefits expenses, partially offset by a 0.6 percentage point decrease from leveraging existing personnel to support increases in solid waste and E&P volumes and the benefit of improved commodity prices and a 0.3 percentage point decrease from all other net changes.

SG&A. SG&A expenses decreased \$26.4 million, or 17.3%, to \$126.3 million for the three months ended June 30, 2017, from \$152.7 million for the three months ended June 30, 2016. The decrease was comprised of a decrease in direct acquisition costs of \$22.7 million resulting from amounts incurred in the prior year period related to the Progressive Waste acquisition, a decrease of \$17.2 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the Progressive Waste acquisition, a decrease of \$14.3 million from New Waste Connections paying excise taxes in the prior year period 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, a decrease in share-based compensation expenses of \$9.3 million related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated in the prior year period due to plan provisions regarding a change in control followed by termination of employment and resulting from time-lapse vesting and changes to the fair value and a decrease in equity-based compensation expenses of \$2.3 million resulting from the acceleration of vesting in the prior year period of performance share units granted to Old Waste Connections' management in 2014 and 2015, partially offset by an increase of \$24.0 million of additional SG&A expenses from operating locations acquired in the Progressive Waste acquisition, \$4.1 million of additional SG&A expenses from operating locations at all other acquisitions closed during, or subsequent to, the three months ended June 30, 2016, an increase in accrued recurring cash incentive compensation expense to our management of \$2.2 million due to the achievement of interim financial targets during the three months ended June 30, 2017 and the addition of accrued cash incentive compensation expense for the retained Progressive Waste employees, an increase in legal, accounting and information technology professional fee expenses of \$1.8 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 \$1.8 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in payroll expenses of \$1.7 million due to increased corporate headcount to support the operations of Progressive Waste and annual compensation increases, 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 software license fees of \$0.9 million to support our new payroll processing application and computer applications acquired in the Progressive Waste acquisition, an increase in employee benefits expenses of \$0.7 million due to increased severity of medical claims and \$1.2 million of other net expense increases.

SG&A expenses increased \$35.0 million, or 15.9%, to \$255.4 million for the six months ended June 30, 2017, from \$220.4 million for the six months ended June 30, 2016. The increase was comprised of \$61.1 million of SG&A expenses from operating locations acquired in the Progressive Waste acquisition, \$7.7 million of additional SG&A expenses from operating locations at all other acquisitions closed during, or subsequent to, the six months ended June 30, 2016, an increase in accrued recurring cash incentive compensation expense to our management of \$7.6 million due to the achievement of interim financial targets during the six months ended June 30, 2017 and the addition of accrued cash incentive compensation expense for the retained Progressive Waste employees, an increase in legal, accounting and information technology professional fee expenses of \$4.3 million due to increased support required as a result of growth from the acquisition of Progressive Waste, an increase in payroll expenses of \$4.0 million due to increased corporate headcount to support the operations of Progressive Waste and annual compensation increases, an increase in corporate travel, meetings and training expenses of \$3.8 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in software license fees of \$2.2 million to support our new payroll processing application and computer applications acquired in the Progressive Waste acquisition, an increase in equity-based compensation expenses of \$2.0 million associated with our annual recurring grant of restricted share units to our personnel, an increase in employee benefits expenses of \$1.7 million due to increased severity of medical claims, an increase in employee relocation expenses of \$1.2 million associated with corporate personnel added to support the additional administrative oversight resulting from the Progressive Waste acquisition, an increase in deferred compensation expense of \$1.0 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 \$1.9 million of other net expense increases, partially offset by a decrease in direct acquisition costs of \$29.7 million attributable resulting from amounts incurred in the prior year period related to the Progressive Waste acquisition, a decrease of \$14.4 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the Progressive Waste acquisition, a decrease of \$14.3 million from New Waste Connections paying excise taxes in the prior year period 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, a decrease in share-based compensation expenses of \$2.8 million related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated in the prior year period due to plan provisions regarding a change in control followed by termination of employment and resulting from time-lapse vesting and changes to the fair value and a decrease in equity-based compensation expenses of \$2.3 million resulting from the acceleration of vesting in the prior year period of performance share units granted to Old Waste Connections' management in 2014 and 2015.

SG&A expenses as a percentage of revenues decreased 10.3 percentage points to 10.7% for the three months ended June 30, 2017, from 21.0% for the three months ended June 30, 2016. The decrease as a percentage of revenues consists of a 4.6 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 June 30, 2016, a 2.0 percentage point decrease from the decrease in direct acquisition costs, a 1.5 percentage point decrease from integration-related professional fees and severance-related expenses related to Progressive Waste, a 1.3 percentage point decrease from excise taxes paid in the prior year period and a 1.0 percentage point decrease in share-based compensation expense from the continuation of awards granted to Progressive Waste employees prior to the acquisition close and the prior year acceleration of vesting of performance share units granted to Old Waste Connections' management, partially offset by a net 0.1 percentage point increase from other changes.

SG&A expenses as a percentage of revenues decreased 6.4 percentage points to 11.3% for the six months ended June 30, 2017, from 17.7% for the six months ended June 30, 2016. The decrease as a percentage of revenues consists of a 3.9 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 June 30, 2016, a 1.4 percentage point decrease from the decrease in direct acquisition costs, a 0.7 percentage point decrease from integration-related professional fees and severance-related expenses related to Progressive Waste and a 0.7 percentage point decrease from excise taxes paid in the prior year period, partially offset by a net 0.3 percentage point increase from other changes.

Depreciation. Depreciation expense increased \$48.5 million, or 57.5%, to \$132.8 million for the three months ended June 30, 2017, from \$84.3 million for the three months ended June 30, 2016. The increase was primarily the result of additional depreciation and depletion expense of \$38.0 million from assets acquired in the Progressive Waste acquisition, additional depreciation and depletion expense of \$4.2 million from all other acquisitions closed during, or subsequent to, the three months ended June 30, 2016, an increase in depreciation expense of \$2.5 million associated with additions to our fleet and equipment purchased to support our existing operations and an increase in depletion expense of \$3.8 million at our existing landfills due primarily to an increase in volumes.

Depreciation expense increased \$112.9 million, or 77.7%, to \$258.1 million for the six months ended June 30, 2017, from \$145.2 million for the six months ended June 30, 2016. The increase was primarily the result of additional depreciation and depletion expense of \$93.7 million from assets acquired in the Progressive Waste acquisition, additional depreciation and depletion expense of \$7.9 million from all other acquisitions closed during, or subsequent to, the six months ended June 30, 2016, an increase in depreciation expense of \$4.7 million associated with additions to our fleet and equipment purchased to support our existing operations and an increase in depletion expense of \$6.6 million at our existing landfills due primarily to an increase in volumes.

Depreciation expense as a percentage of revenues decreased 0.3 percentage points to 11.3% for the three months ended June 30, 2017, from 11.6% for the three months ended June 30, 2016. Depreciation expense as a percentage of revenues decreased 0.3 percentage points to 11.4% for the six months ended June 30, 2017, from 11.7% for the six months ended June 30, 2016. The decreases as a percentage of revenues were due primarily to the impact of assets acquired with the Progressive Waste acquisition.

Amortization of Intangibles. Amortization of intangibles expense increased \$10.7 million, or 75.9% to \$24.8 million for the three months ended June 30, 2017, from \$14.1 million for the three months ended June 30, 2016. The increase in amortization expense was the result of \$10.8 million recorded on contracts, customer lists and transfer station permits acquired in the Progressive Waste acquisition and \$1.8 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 June 30, 2016.

Amortization of intangibles expense increased \$28.5 million, or 130.9% to \$50.3 million for the six months ended June 30, 2017, from \$21.8 million for the six months ended June 30, 2016. The increase in amortization expense was the result of \$27.7 million recorded on contracts, customer lists and transfer station permits acquired in the Progressive Waste acquisition and \$3.5 million from intangible assets acquired in other acquisitions closed in 2015 and 2016, partially offset by a decrease of \$2.7 million from certain intangible assets becoming fully amortized subsequent to June 30, 2016.

Amortization expense as a percentage of revenues increased 0.2 percentage points to 2.1% for the three months ended June 30, 2017, from 1.9% for the three months ended June 30, 2016. Amortization expense as a percentage of revenues increased 0.4 percentage points to 2.2% for the six months ended June 30, 2017, from 1.8% for the six months ended June 30, 2016. The increases were the result of the net impact of the aforementioned intangible assets acquired in the Progressive Waste acquisition and other acquisitions closed subsequent to June 30, 2016, partially offset by certain intangible assets becoming fully amortized subsequent to the end of the comparable prior period.

Impairments and Other Operating Items. Impairments and other operating items decreased \$2.1 million, to net gains totaling \$1.2 million for the three months ended June 30, 2017, from net gains totaling \$3.3 million for the three months ended June 30, 2016.

The net gains of \$1.2 million recorded during the three months ended June 30, 2017 consisted of the reversal of \$11.4 million of expenses recognized in prior periods to adjust the carrying cost of assets held for disposal to fair market value due to modifications to our divestiture plan, partially offset by \$7.5 million of charges to write off the carrying cost of certain contracts acquired from the Progressive Waste acquisition that were not renewed prior to their original estimated termination date, \$1.8 million of losses on trucks and equipment that were disposed of through sales or as a result of being damaged in operations and \$0.9 million of other net charges.

The net gains of \$3.3 million recorded during the three months ended June 30, 2016 consisted of 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, partially offset by \$0.3 million of other net charges.

Impairments and other operating items decreased \$143.5 million, to net losses totaling \$140.5 million for the six months ended June 30, 2017, from net gains totaling \$3.0 million for the six months ended June 30, 2016.

The net losses of \$140.5 million recorded during the six months ended June 30, 2017 consisted of a goodwill impairment charge of \$77.3 million at our E&P segment resulting from our early adoption of a new accounting standard on January 1, 2017 which required the recognition of goodwill impairment by the amount which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill, a \$42.0 million expense charge to adjust the carrying cost of assets held for disposal to fair market value and an \$11.3 million expense charge to increase the fair value of an amount payable under a liability-classified contingent consideration arrangement from an acquisition closed in 2015 by Progressive Waste, \$7.5 million of charges to write off the carrying cost of certain contracts acquired from the Progressive Waste acquisition that were not renewed prior to their original estimated termination date, \$1.8 million of losses on trucks and equipment that were disposed of through sales or as a result of being damaged in operations and \$0.6 million of other net charges.

The net gains of \$3.0 million recorded during the six months ended June 30, 2016 consisted of 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, partially offset by \$0.6 million of other net charges.

Operating Income. Operating income increased \$143.4 million to \$206.9 million for the three months ended June 30, 2017, from \$63.5 million for the three months ended June 30, 2016. The increase was primarily attributable to operating income contributed from the acquisitions of Progressive Waste and Groot Industries and a decrease in certain SG&A expenses for direct acquisition costs, employee severance, excise taxes and share-based compensation resulting from the acquisition of Progressive Waste.

Operating income increased \$78.8 million to \$233.3 million for the six months ended June 30, 2017, from \$154.5 million for the six months ended June 30, 2016. The increase was primarily attributable to operating income contributed from the acquisitions of Progressive Waste and Groot Industries and a decrease in certain SG&A expenses for direct acquisition costs, employee severance, excise taxes and share-based compensation resulting from the acquisition of Progressive Waste, partially offset by an increase in impairments and other operating items resulting primarily from a goodwill impairment charge at our E&P segment, charges to adjust the carrying cost of assets held for disposal to fair market value and a charge to increase the fair value of an amount payable under a liability-classified contingent consideration arrangement from an acquisition closed in 2015 by Progressive Waste.

Operating income as a percentage of revenues increased 8.9 percentage points to 17.6% for the three months ended June 30, 2017, from 8.7% for the three months ended June 30, 2016. The increase as a percentage of revenues was comprised of a 10.3 percentage point decrease in SG&A expense, a 0.3 percentage point decrease in depreciation expense, partially offset by a 1.2 percentage point increase in cost of operations, a 0.3 percentage point increase in impairments and other operating items and a 0.2 percentage point increase in amortization expense.

Operating income as a percentage of revenues decreased 2.1 percentage points to 10.3% for the six months ended June 30, 2017, from 12.4% for the six months ended June 30, 2016. The decrease as a percentage of revenues was comprised of a 6.4 percentage point increase in impairments and other operating items, a 2.0 percentage point increase in cost of operations and a 0.4 percentage point increase in amortization expense, partially offset by a 6.4 percentage point decrease in SG&A expense and a 0.3 percentage point decrease in depreciation expense.

Interest Expense. Interest expense increased \$10.7 million, or 52.1%, to \$31.2 million for the three months ended June 30, 2017, from \$20.5 million for the three months ended June 30, 2016. The increase was primarily attributable to an increase of \$3.5 million from the June 2016 issuance of our New 2021 Notes, 2023 Notes and 2026 Notes, an increase of \$2.6 million from the April 2017 issuance of our 2017A Senior Notes, an increase of \$2.0 million due to higher interest rates on outstanding borrowings under our Credit Agreement, an increase of \$2.2 million due to an increase in the average borrowings outstanding under our Credit Agreement, a combined increase in fees associated with our Credit Agreement of \$0.7 million due to increases in outstanding letters of credit and commitment fees on unused borrowings and \$0.3 million of other net increases, partially offset by a decrease of \$0.6 million resulting from a \$175 million principal interest rate swap agreement expiring in February 2017 and being replaced with two new interest rate swap agreements, totaling \$175 million, at a lower fixed interest rate.

Interest expense increased \$22.6 million, or 60.1%, to \$60.3 million for the six months ended June 30, 2017, from \$37.7 million for the six months ended June 30, 2016. The increase was primarily attributable to an increase of \$8.8 million from the June 2016 issuance of our New 2021 Notes, 2023 Notes and 2026 Notes, an increase of \$6.8 million due to an increase in the average borrowings outstanding under our Credit Agreement, an increase of \$3.7 million due to higher interest rates on outstanding borrowings under our Credit Agreement, an increase of \$2.6 million from the April 2017 issuance of our 2017A Senior Notes, a combined increase in fees associated with our Credit Agreement of \$1.6 million due to increases in outstanding letters of credit and commitment fees on unused borrowings and \$0.8 million of other net increases, partially offset by a decrease of \$0.8 million for the redemption of our 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 2016 Notes were outstanding and a decrease of \$0.9 million resulting from a \$175 million principal interest rate swap agreement expiring in February 2017 and being replaced with two new interest rate swap agreements, totaling \$175 million, at a lower fixed interest rate.

Other Income (Expense), Net. Other income (expense), net, increased \$2.6 million to an income total of \$1.9 million for the three months ended June 30, 2017, from an expense total of \$0.7 million for the three months ended June 30, 2016. The increase was primarily attributable to an increase in interest income of \$0.9 million due to higher average outstanding cash balances, an increase of \$0.3 million of income from investments purchased to fund our employee deferred compensation obligations and the non recurrence of a prior year charge of \$1.4 million resulting from the write off of unamortized debt issuance costs.

Other income (expense), net, increased \$3.8 million to an income total of \$3.3 million for the six months ended June 30, 2017, from an expense total of \$0.5 million for the six months ended June 30, 2016. The increase was primarily attributable to an increase in interest income of \$1.2 million due to higher average outstanding cash balances, an increase of \$0.5 million of income from investments purchased to fund our employee deferred compensation obligations, the non recurrence of a prior year charge of \$1.4 million resulting from the write off of unamortized debt issuance costs and \$0.7 million of other net changes.

Income Tax Provision. Income tax provision increased \$37.4 million, to \$52.7 million for the three months ended June 30, 2017, from \$15.3 million for the three months ended June 30, 2016. Our effective tax rate for the three months ended June 30, 2017 was 29.8%. Our effective tax rate for the three months ended June 30, 2016 was 35.5%. Income tax provision decreased \$8.5 million, to \$35.8 million for the six months ended June 30, 2017, from \$44.3 million for the six months ended June 30, 2016. Our effective tax rate for the six months ended June 30, 2017 was 20.5%. Our effective tax rate for the six months ended June 30, 2016 was 37.8%.

The income tax provision for the three and six months ended June 30, 2017 included \$0.1 million and \$6.8 million, respectively, from adopting a new accounting standard in January 2017 which requires all income tax effects of share-based payment awards 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, and a portion of our income from internal financing being untaxed or taxed at rates substantially lower than the U.S. federal statutory rate. The impairment of goodwill within our E&P segment during the six months ended June 30, 2017 resulted in the write off of \$6.3 million of goodwill that was not deductible for tax purposes, increasing our tax expense by \$2.4 million.

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 of U.S. dollars).

Three months ended June 30, 2017

	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 797,131	\$ (2,392)	\$ 794,739	67.6%
Solid waste disposal and transfer	416,176	(158,937)	257,239	21.9
Solid waste recycling	43,693	(2,351)	41,342	3.5
E&P waste treatment, recovery and disposal	50,043	(2,870)	47,173	4.0
Intermodal and other	35,432	(356)	35,076	3.0
Total	\$ 1,342,475	\$ (166,906)	\$ 1,175,569	100.0%

Three months ended June 30, 2016

	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 502,948	\$ (1,778)	\$ 501,170	68.9%
Solid waste disposal and transfer	256,847	(96,815)	160,032	22.0
Solid waste recycling	18,119	(1,393)	16,726	2.3
E&P waste treatment, recovery and disposal	30,734	(3,253)	27,481	3.8
Intermodal and other	22,358	(128)	22,230	3.0
Total	\$ 831,006	\$ (103,367)	\$ 727,639	100.0%

Six months ended June 30, 2017

	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 1,565,478	\$ (4,592)	\$ 1,560,886	68.9%
Solid waste disposal and transfer	773,201	(302,378)	470,823	20.8
Solid waste recycling	87,581	(4,935)	82,646	3.6
E&P waste treatment, recovery and disposal	89,864	(5,838)	84,026	3.7
Intermodal and other	69,197	(743)	68,454	3.0
Total	\$ 2,585,321	\$ (318,486)	\$ 2,266,835	100.0%

	Six months ended June 30, 2016			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 859,546	\$ (3,099)	\$ 856,447	68.9%
Solid waste disposal and transfer	426,929	(162,849)	264,080	21.3
Solid waste recycling	28,738	(2,031)	26,707	2.1
E&P waste treatment, recovery and disposal	63,586	(5,620)	57,966	4.7
Intermodal and other	37,247	(128)	37,119	3.0
Total	\$ 1,416,046	\$ (173,727)	\$ 1,242,319	100.0%

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. 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 and Wisconsin; our Canada segment services customers located in the provinces of Alberta, British Columbia, Manitoba, Ontario and Québec; 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 of U.S. dollars and as a percentage of total revenues for the periods indicated:

	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
Southern	\$ 285,383	24.3%	\$120,551	16.6%	\$ 565,505	24.9%	\$ 157,470	12.7%
Western	257,492	21.9	236,431	32.5	493,082	21.8	455,664	36.7
Eastern	246,310	20.9	142,584	19.6	477,797	21.1	250,380	20.1
Canada	180,297	15.3	60,585	8.3	343,333	15.1	60,585	4.9
Central	159,418	13.6	139,670	19.2	303,727	13.4	259,607	20.9
E&P	46,669	4.0	27,818	3.8	83,391	3.7	58,613	4.7
	\$1,175,569	100.0%	\$727,639	100.0%	\$2,266,835	100.0%	\$1,242,319	100.0%

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

	Three months ended June 30,				Six months ended June 30,			
	2017		2016		2017		2016	
Southern	\$ 67,168	23.5%	\$ 27,228	22.6%	\$136,108	24.1%	\$ 36,717	23.3%
Western	87,045	33.8	79,835	33.8	162,613	33.0	153,625	33.7
Eastern	72,095	29.3	44,824	31.4	137,546	28.8	79,438	31.7
Canada	66,365	36.8	23,555	38.9	123,665	36.0	23,555	38.9
Central	60,716	38.1	52,578	37.6	113,368	37.3	96,431	37.1
E&P	21,092	45.2	6,485	23.3	35,637	42.7	13,034	22.2
Corporate ^(a)	(11,162)	-	(75,865)	-	(26,783)	-	(84,353)	-
	<u>\$363,319</u>	<u>30.9%</u>	<u>\$158,640</u>	<u>21.8%</u>	<u>\$682,154</u>	<u>30.1%</u>	<u>\$318,447</u>	<u>25.6%</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.

A reconciliation of segment EBITDA to Income before income tax provision is included in Note 10 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 six month periods ended June 30, 2017, compared to the three and six month periods ended June 30, 2016, are discussed below:

Segment Revenue

Revenue in our Southern segment increased \$164.8 million, or 136.7%, to \$285.4 million for the three months ended June 30, 2017, from \$120.6 million for the three months ended June 30, 2016. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the three months ended June 30, 2016, of \$162.2 million, net price increases of \$5.2 million and other revenue increases of \$1.0 million, partially offset by solid waste volume decreases of \$3.6 million primarily from the declines in residential volumes resulting from certain contracts acquired with the acquisition of Progressive Waste that were terminated subsequent to June 30, 2016 and declines in commercial volumes due to intentional losses of certain low margin customers.

Revenue in our Southern segment increased \$408.0 million, or 259.1%, to \$565.5 million for the six months ended June 30, 2017, from \$157.5 million for the six months ended June 30, 2016. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the three months ended June 30, 2016, of \$402.4 million, net price increases of \$7.2 million and other revenue increases of \$1.2 million, partially offset by solid waste volume decreases of \$2.8 million primarily from the aforementioned losses in residential and commercial volumes.

Revenue in our Western segment increased \$21.1 million, or 8.9%, to \$257.5 million for the three months ended June 30, 2017, from \$236.4 million for the three months ended June 30, 2016. The components of the increase consisted of solid waste volume increases of \$14.4 million associated with residential collection, commercial collection, roll off collection, landfill municipal solid waste and landfill special waste, net price increases of \$3.7 million, increased recyclable commodity sales of \$2.7 million resulting from improvements in the price of recyclable commodities and other revenue increases of \$0.3 million.

Revenue in our Western segment increased \$37.4 million, or 8.2%, to \$493.1 million for the six months ended June 30, 2017, from \$455.7 million for the six months ended June 30, 2016. The components of the increase consisted of solid waste volume increases of \$21.8 million associated with residential collection, commercial collection, roll off collection, landfill municipal solid waste and landfill special waste, net price increases of \$6.6 million, increased recyclable commodity sales of \$6.6 million resulting from improvements in the price of recyclable commodities, increased intermodal revenues of \$1.4 million resulting from higher intermodal cargo volume, net revenue growth from acquisitions and divestitures closed during, or subsequent to, the six months ended June 30, 2016, of \$0.8 million and other revenue increases of \$0.2 million.

Revenue in our Eastern segment increased \$103.7 million, or 72.7%, to \$246.3 million for the three months ended June 30, 2017, from \$142.6 million for the three months ended June 30, 2016. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the three months ended June 30, 2016, of \$93.2 million, solid waste volume increases of \$5.0 million as increased roll off collection, transfer station, landfill municipal solid waste and landfill special waste offset decreased residential collection, net price increases of \$4.4 million and increased recyclable commodity sales of \$1.6 million resulting from improvements in the price of recyclable commodities, partially offset by other revenue decreases of \$0.5 million.

Revenue in our Eastern segment increased \$227.4 million, or 90.8%, to \$477.8 million for the six months ended June 30, 2017, from \$250.4 million for the six months ended June 30, 2016. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the six months ended June 30, 2016, of \$208.5 million, solid waste volume increases of \$8.4 million as increased roll off collection, transfer station, landfill municipal solid waste and landfill special waste offset decreased residential collection, net price increases of \$7.4 million and increased recyclable commodity sales of \$3.7 million resulting from improvements in the price of recyclable commodities, partially offset by other revenue decreases of \$0.6 million.

Revenue in our Canada segment increased \$119.7 million, or 197.6%, to \$180.3 million for the three months ended June 30, 2017, from \$60.6 million for the three months ended June 30, 2016 and increased \$282.7 million, or 466.7%, to \$343.3 million for the six months ended June 30, 2017, from \$60.6 million for the six months ended June 30, 2016. Our Canada segment was formed in conjunction with the Progressive Waste acquisition on June 1, 2016. The components of the increases consisted of revenue growth from the Progressive Waste acquisition of \$116.8 million and \$279.8 million for the three and six months ended June 30, 2017, respectively, and the following increases for the three and six months ended June 30, 2017: net price increases of \$2.5 million; increased landfill gas sales of \$1.8 million resulting from higher pricing; increased recyclable commodity sales of \$1.7 million resulting from improvements in the price of recyclable commodities and \$0.1 million of other revenue increases; partially offset by a decrease of \$1.8 million resulting from a decrease in the average foreign currency exchange rate in effect during the comparable reporting periods and solid waste volume decreases of \$1.4 million associated with decreased landfill special waste volumes and intentional losses of certain low margin commercial collection customers.

Revenue in our Central segment increased \$19.7 million, or 14.1%, to \$159.4 million for the three months ended June 30, 2017, from \$139.7 million for the three months ended June 30, 2016. The components of the increase consisted of revenue growth from acquisitions closed during, or subsequent to, the three months ended June 30, 2016, of \$14.0 million, net price increases of \$5.1 million, increased recyclable commodity sales of \$1.1 million resulting from improvements in the price of recyclable commodities and other revenue increases of \$0.3 million, partially offset by solid waste volume decreases of \$0.8 million primarily from declines in residential collection and landfill special waste.

Revenue in our Central segment increased \$44.1 million, or 17.0%, to \$303.7 million for the six months ended June 30, 2017, from \$259.6 million for the six months ended June 30, 2016. The components of the increase consisted of net revenue growth from acquisitions and divestitures closed during, or subsequent to, the six months ended June 30, 2016, of \$33.6 million, net price increases of \$9.8 million, increased recyclable commodity sales of \$2.1 million resulting from improvements in the price of recyclable commodities, increases of \$0.3 million from higher E&P disposal volumes at our solid waste landfills and other revenue increases of \$0.4 million, partially offset by solid waste volume decreases of \$2.1 million primarily from declines in residential collection and landfill special waste.

Revenue in our E&P segment increased \$18.9 million, or 67.8%, to \$46.7 million for the three months ended June 30, 2017, from \$27.8 million for the three months ended June 30, 2016. The components of the increase consisted of higher E&P volumes, primarily in our E&P disposal operations in the Permian Basin and Louisiana

Revenue in our E&P segment increased \$24.8 million, or 42.3%, to \$83.4 million for the six months ended June 30, 2017, from \$58.6 million for the six months ended June 30, 2016. The components of the increase consisted of \$25.1 million from higher E&P volumes, primarily in our E&P disposal operations in the Permian Basin and Louisiana, partially offset by \$0.3 million from reduced solid waste volumes at non-E&P operations managed by our E&P segment.

Segment EBITDA

Segment EBITDA in our Southern segment increased \$40.0 million, or 146.7%, to \$67.2 million for the three months ended June 30, 2017, from \$27.2 million for the three months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$164.8 million and decreases in insurance expense of \$2.3 million due to improved incident rates at operations acquired from Progressive Waste, partially offset by a net \$125.0 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in truck, container, equipment and facility maintenance and repair expenses of \$1.7 million due to variability in the timing and severity of major repairs and \$0.4 million of other net expense increases.

Segment EBITDA in our Southern segment increased \$99.4 million, or 270.7%, to \$136.1 million for the six months ended June 30, 2017, from \$36.7 million for the six months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$408.0 million and decreases in insurance expense of \$2.1 million due to improved incident rates at operations acquired from Progressive Waste, partially offset by a net \$306.6 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.4 million due to variability in the timing and severity of major repairs, an increase in direct and administrative labor expenses of \$0.7 million due primarily to employee pay rate increases and \$1.0 million of other net expense increases.

Segment EBITDA in our Western segment increased \$7.2 million, or 9.0%, to \$87.0 million for the three months ended June 30, 2017, from \$79.8 million for the three months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$21.1 million and a decrease in corporate overhead expense allocations of \$0.8 million due to a lower overhead allocation rate, partially offset by an increase in direct and administrative labor expenses of \$3.2 million due primarily to employee pay rate increases, an increase in taxes on revenues of \$2.1 million due to the aforementioned increase in revenues, an increase in third-party trucking and transportation expenses of \$1.5 million due to increased disposal volumes that require transportation to our landfills, an increase in third-party disposal expense of \$1.5 million due to increased collection volumes and disposal rate increases, 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, an increase in employee benefits expenses of \$1.3 million due to increased severity of medical claims, an increase in expenses associated with the purchase of recyclable commodities of \$1.0 million due to increased recyclable commodity values, an increase in fuel expense of \$0.5 million due to increases in the market price of diesel fuel and \$2.2 million of other net expense increases.

Segment EBITDA in our Western segment increased \$9.0 million, or 5.9%, to \$162.6 million for the six months ended June 30, 2017, from \$153.6 million for the six months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$37.4 million and a decrease in corporate overhead expense allocations of \$2.2 million due to a lower overhead allocation rate, partially offset by an increase in direct and administrative labor expenses of \$6.5 million due primarily to employee pay rate increases, an increase in taxes on revenues of \$4.5 million due to the aforementioned increase in revenues, an increase in employee benefits expenses of \$3.3 million due to increased severity of medical claims, an increase in truck, container, equipment and facility maintenance and repair expenses of \$3.0 million due to variability in the timing and severity of major repairs, an increase in third-party trucking and transportation expenses of \$2.4 million due to increased disposal volumes that require transportation to our landfills, an increase in third-party disposal expense of \$2.3 million due to increased collection volumes and disposal rate increases, an increase in fuel expense of \$1.6 million due to increases in the market price of diesel fuel, an increase in expenses associated with the purchase of recyclable commodities of \$1.4 million due to increased recyclable commodity values, an increase in expenses for auto and workers' compensation claims of \$1.3 million due to increased claims and higher average rates per claim, an increase in expenses for uncollectable accounts receivable of \$0.5 million and \$3.8 million of other net expense increases.

Segment EBITDA in our Eastern segment increased \$27.3 million, or 60.8%, to \$72.1 million for the three months ended June 30, 2017, from \$44.8 million for the three months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$103.7 million, a decrease in corporate overhead expense allocations of \$0.3 million due to a lower overhead allocation rate and 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, partially offset by a net \$70.1 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in third-party trucking and transportation expenses of \$2.0 million due to increased disposal volumes that require transportation to our landfills, an increase in direct labor expenses of \$1.1 million due primarily to employee pay rate increases, an increase in leachate disposal expenses at our landfills of \$1.1 million, 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, an increase in taxes on revenues of \$0.9 million resulting from the aforementioned increase in revenues, an increase in employee benefits expenses of \$0.9 million due to increased severity of medical claims and \$1.0 million of other net expense increases.

Segment EBITDA in our Eastern segment increased \$58.1 million, or 73.1%, to \$137.5 million for the six months ended June 30, 2017, from \$79.4 million for the six months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$227.4 million, a decrease in corporate overhead expense allocations of \$0.7 million due to a lower overhead allocation rate and a decrease in third party disposal expenses of \$2.2 million due primarily to increased internal disposal of waste at our transfer stations and landfills in the Albany, NY market, partially offset by a net \$157.6 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in third-party trucking and transportation expenses of \$3.3 million due to increased disposal volumes that require transportation to our landfills, an increase in direct and administrative labor expenses of \$2.5 million due primarily to employee pay rate increases, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.2 million due to variability in the timing and severity of major repairs, an increase in taxes on revenues of \$1.7 million resulting from the aforementioned increase in revenues, an increase in employee benefits expenses of \$1.6 million due to increased severity of medical claims, an increase in leachate disposal expenses at our landfills of \$1.1 million, an increase in fuel expense of \$0.5 million due to increases in the market price of diesel fuel and \$1.7 million of other net expense increases.

Segment EBITDA in our Canada segment increased \$42.8 million, or 181.7%, to \$66.4 million for the three months ended June 30, 2017, from \$23.6 million for the three months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$119.7 million, less a net \$74.8 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in corporate overhead charges of \$1.9 million due to the Canada segment not receiving an allocation of corporate overhead for the month of June 2016 and \$0.2 million of other net expense increases.

Segment EBITDA in our Canada segment increased \$100.1 million, or 425.0%, to \$123.7 million for the six months ended June 30, 2017, from \$23.6 million for the six months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$282.7 million, less a net \$180.5 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in corporate overhead charges of \$1.9 million due to the Canada segment not receiving an allocation of corporate overhead for the month of June 2016 and \$0.2 million of other net expense increases.

Segment EBITDA in our Central segment increased \$8.1 million, or 15.5%, to \$60.7 million for the three months ended June 30, 2017, from \$52.6 million for the three months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$19.7 million, a decrease in corporate overhead expense allocations of \$0.7 million due to a lower overhead allocation rate and \$0.2 million of other net expense decreases, partially offset by a net \$8.1 million increase in cost of operations and SG&A expenses attributable to acquired operations, an increase in direct and administrative labor expenses of \$1.4 million due primarily to employee pay rate increases and a decrease in unfilled positions, an increase in truck, container, equipment and facility maintenance and repair expenses of \$0.8 million due to variability in the timing and severity of major repairs, an increase in third-party trucking and transportation expenses of \$0.8 million due to increased disposal volumes that require transportation to our landfills, an increase in employee benefits expenses of \$0.8 million due to increased severity of medical claims and an increase in taxes on revenues of \$0.6 million resulting from the aforementioned increase in revenues.

Segment EBITDA in our Central segment increased \$17.0 million, or 17.6%, to \$113.4 million for the six months ended June 30, 2017, from \$96.4 million for the six months ended June 30, 2016. The increase was due primarily to an increase in revenues of \$44.1 million, a decrease in corporate overhead expense allocations of \$1.5 million due to a lower overhead allocation rate and \$0.4 million of other net expense decreases, 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 \$2.7 million due primarily to employee pay rate increases and a decrease in unfilled positions, an increase in truck, container, equipment and facility maintenance and repair expenses of \$2.1 million due to variability in the timing and severity of major repairs, an increase in employee benefits expenses of \$1.7 million due to increased severity of medical claims, an increase in taxes on revenues of \$1.5 million resulting from the aforementioned increase in revenues, 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 an increase in fuel expense of \$0.4 million due to increases in the market price of diesel fuel.

Segment EBITDA in our E&P segment increased \$14.6 million, or 225.2%, to \$21.1 million for the three months ended June 30, 2017, from \$6.5 million for the three months ended June 30, 2016. The increase was due primarily to an \$18.9 million increase in revenues and a decrease in corporate overhead expense allocations of \$0.6 million due primarily to a lower overhead allocation rate, partially offset by the following increases attributable to higher disposal volumes in the current period: an increase in equipment and facility maintenance and repair expenses of \$1.5 million; an increase in taxes on revenues of \$0.6 million; an increase in direct labor expenses of \$0.5 million, an increase in third party trucking expenses of \$0.5 million; an increase in equipment rental expenses of \$0.4 million and \$1.4 million of other expense increases.

Segment EBITDA in our E&P segment increased \$22.6 million, or 173.4%, to \$35.6 million for the six months ended June 30, 2017, from \$13.0 million for the six months ended June 30, 2016. The increase was due primarily to a \$24.8 million increase in revenues, a decrease in direct and administrative labor expenses of \$1.2 million due to prior year headcount decreases continuing into early 2017 and a decrease in corporate overhead expense allocations of \$1.3 million due primarily to a lower overhead allocation rate, partially offset by the following increases attributable higher disposal volumes in the current period: an increase in equipment and facility maintenance and repair expenses of \$1.4 million; an increase in processing cell remediation expenses of \$1.0 million; an increase in equipment rental expenses of \$0.9 million; an increase in taxes on revenues of \$0.7 million and \$0.7 million of other expense increases.

Segment EBITDA at Corporate increased \$64.7 million, to a loss of \$11.2 million for the three months ended June 30, 2017, from a loss of \$75.9 million for the three months ended June 30, 2016. The decrease in the loss was due to a decrease in direct acquisition costs of \$22.7 million resulting from amounts incurred in the prior year period related to the Progressive Waste acquisition, a decrease of \$17.2 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the Progressive Waste acquisition, a decrease of \$14.3 million from New Waste Connections paying excise taxes in the prior year period 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, a decrease in share-based compensation expenses of \$9.3 million related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated in the prior year period due to plan provisions regarding a change in control followed by termination of employment and resulting from time-lapse vesting and changes to the fair value, a decrease in equity-based compensation expenses of \$2.3 million resulting from the acceleration of vesting in the prior year period of performance share units granted to Waste Connections' management in 2014 and 2015 and an increase in corporate overhead allocated to our segments of \$10.8 million due to an increase in total corporate expenses to support the operations acquired in the Progressive Waste acquisition, partially offset by an increase in accrued recurring cash incentive compensation expense to our management of \$2.4 million due to the achievement of interim financial targets during the three months ended June 30, 2017 and the addition of accrued cash incentive compensation expense for the retained Progressive Waste employees, an increase in legal, accounting and information technology professional fee expenses of \$2.1 million due to increased support required as a result of growth from the acquisition of Progressive Waste, an increase in payroll expenses of \$1.5 million due to increased corporate headcount to support the operations of Progressive Waste and annual compensation increases, 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 software license fees of \$1.1 million to support our new payroll processing application and computer applications acquired in the Progressive Waste acquisition, 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 relocation expenses of \$0.8 million associated with corporate personnel added to support the additional administrative oversight resulting from the Progressive Waste acquisition and \$1.9 million of other net expense increases. During the three months ended June 30, 2017, the allocation rate for charging corporate overhead to our segments was 2.75% of budgeted revenues, a decrease from 3.0% for the three months ended June 30, 2016, 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 increased \$57.6 million, to a loss of \$26.8 million for the six months ended June 30, 2017, from a loss of \$84.4 million for the six months ended June 30, 2016. The decrease in the loss was due to a decrease in direct acquisition costs of \$29.7 million resulting from amounts incurred in the prior year period related to the Progressive Waste acquisition, a decrease of \$14.4 million in integration-related professional fees and severance-related expenses incurred in the prior year period for Progressive Waste personnel who were not permanently retained as employees of New Waste Connections following the close of the Progressive Waste acquisition, a decrease of \$14.3 million from New Waste Connections paying excise taxes in the prior year period 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, a decrease in share-based compensation expenses of \$2.8 million related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated in the prior year period due to plan provisions regarding a change in control followed by termination of employment and resulting from time-lapse vesting and changes to the fair value, a decrease in equity-based compensation expenses of \$2.3 million resulting from the acceleration of vesting in the prior year period of performance share units granted to Old Waste Connections' management in 2014 and 2015 and an increase in corporate overhead allocated to our segments of \$23.8 million due to an increase in total corporate expenses to support the operations acquired in the Progressive Waste acquisition, partially offset by an increase in accrued recurring cash incentive compensation expense to our management of \$7.5 million due to the achievement of interim financial targets during the six months ended June 30, 2017 and the addition of accrued cash incentive compensation expense for the retained Progressive Waste employees, an increase in legal, accounting and information technology professional fee expenses of \$5.3 million due to increased support required as a result of growth from the acquisition of Progressive Waste, an increase in payroll expenses of \$3.3 million due to increased corporate headcount to support the operations of Progressive Waste and annual compensation increases, an increase in corporate travel, meetings and training expenses of \$2.7 million resulting from the integration of employees of Progressive Waste into New Waste Connections, an increase in software license fees of \$2.4 million to support our new payroll processing application and computer applications acquired in the Progressive Waste acquisition, an increase in equity-based compensation expenses of \$1.9 million associated with our annual recurring grant of restricted share units to our personnel, an increase in employee relocation expenses of \$1.7 million associated with corporate personnel added to support the additional administrative oversight resulting from the Progressive Waste acquisition, an increase in deferred compensation expense of \$1.0 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 employee benefits expenses of \$0.4 million due to increased severity of medical claims and \$3.5 million of other net expense increases. During the six months ended June 30, 2017, the allocation rate for charging corporate overhead to our segments was 2.75% of budgeted revenues, a decrease from 3.25% for the six months ended June 30, 2016, 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 six month periods ended June 30, 2017 and 2016 (in thousands of U.S. dollars):

	Six Months Ended	
	June 30,	
	2017	2016
Net cash provided by operating activities	\$ 551,906	\$ 259,646
Net cash used in investing activities	(527,979)	(57,906)
Net cash provided by (used in) financing activities	221,088	(156,867)
Effect of exchange rate changes on cash and equivalents	649	(223)
Net increase in cash and equivalents	245,664	44,650
Cash and equivalents at beginning of period	154,382	10,974
Less: change in cash held for sale	(305)	-
Cash and equivalents at end of period	<u>\$ 399,741</u>	<u>\$ 55,624</u>

Operating Activities Cash Flows

For the six months ended June 30, 2017, net cash provided by operating activities was \$551.9 million. For the six months ended June 30, 2016, net cash provided by operating activities was \$259.6 million. The \$292.3 million increase was due primarily to the following:

- 1) An increase in net income of \$66.2 million, adjusted for a decrease in cash flows from operating assets and liabilities, net of effects from closed acquisitions, of \$28.0 million. Cash flows from changes in operating assets and liabilities, net of effects from acquisitions, was a cash outflow of \$58.3 million for the six months ended June 30, 2017 and a cash outflow of \$30.3 million for the six months ended June 30, 2016. The significant components of the \$58.3 million in net cash outflows from changes in operating assets and liabilities, net of effects from closed acquisitions, for the six months ended June 30, 2017, include the following:
 - a) an increase in cash resulting from a \$26.1 million decrease in prepaid expenses and other current assets due primarily to a decrease in prepaid income taxes and a decrease in prepaid insurance resulting from the timing of our annual policy renewals;
 - b) an increase in cash resulting from a \$4.8 million increase in deferred revenue due primarily to increased solid waste collection revenues and the timing of billing for those services; less
 - c) a decrease in cash resulting from a \$47.6 million increase in accounts receivable due to increased revenues, with less favorable collection results, contributing to an increased amount of revenues remaining uncollected at the end of the current period;
 - d) a decrease in cash resulting from a \$25.5 million decrease in accounts payable and accrued liabilities due primarily to a reduction in accrued cash incentive compensation expense due to the payment of annual cash incentive compensation for 2016 during the six months ended June 30, 2017 and a decrease in outstanding claim liabilities for our employee benefits, auto and workers' compensation insurance programs; less
 - e) a decrease in cash resulting from a \$16.1 million decrease in other long-term liabilities due primarily to the cash settlement of share-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;
- 2) An increase in the loss on disposal of assets and impairments of \$128.1 million due primarily to the impairment of goodwill at our E&P segment and recording an expense charge to adjust the carrying cost of assets held for disposal to fair market value;
- 3) An increase in depreciation expense of \$112.8 million due primarily to increased depreciation expense resulting from increased capital expenditures and property, equipment and landfill assets acquired in the Progressive Waste and Groot acquisitions;
- 4) An increase in amortization expense of \$28.5 million due primarily to intangible assets acquired in the Progressive Waste and Groot acquisitions;
- 5) An increase of \$13.5 million attributable to post-closing adjustments resulting primarily in a net increase in the fair value of amounts payable under a liability-classified contingent consideration arrangement associated with an acquisition closed by Progressive Waste in 2015; less
- 6) A decrease in our provision for deferred taxes of \$35.7 million due primarily to the aforementioned impairment of goodwill at our E&P segment and recording an expense charge to adjust the carrying cost of assets held for disposal to fair market value resulting in the reduction of corresponding deferred tax liabilities; less

- 7) A decrease in share-based compensation expense of \$3.0 million due primarily to the prior year acceleration of vesting of performance share units granted to Waste Connections' management in 2014 and 2015.

As of June 30, 2017, we had a working capital surplus of \$323.8 million, including cash and equivalents of \$399.7 million. Our working capital surplus increased \$272.6 million from a working capital surplus of \$51.2 million at December 31, 2016, including cash and equivalents of \$154.4 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 increased \$470.1 million to \$528.0 million for the six months ended June 30, 2017, from \$57.9 million for the six months ended June 30, 2016. The significant components of the decrease include the following:

- 1) An increase in cash paid for acquisitions of \$335.4 million due primarily to the January 2017 acquisition of Groot;
- 2) An increase in capital expenditures for property and equipment of \$90.5 million; and
- 3) A decrease in cash acquired in the prior year period from the Progressive Waste acquisition of \$65.8 million; less
- 4) An increase in cash proceeds from the disposal of assets of \$19.1 million due primarily to the sale of assets at our Washington D.C. operations, which were divested in February 2017.

Total consideration for the June 2016 acquisition of Progressive Waste 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 \$65.8 million, which we acquired upon the close of the Progressive Waste acquisition.

The increase in capital expenditures for property and equipment was due primarily to increases in expenditures resulting from the January 2017 acquisition of Groot, the June 2016 acquisition of Progressive Waste, additional heavy equipment to support volume increases in our landfill operations and increased spending on information technology to support our acquisition of Progressive Waste, less a decrease in expenditures for new land purchases and landfill cell construction at operations owned in the comparable periods.

Financing Activities Cash Flows

Net cash from financing activities increased \$378.0 million to net cash provided by financing total of \$221.1 million for the six months ended June 30, 2017, from net cash used in financing activities of \$156.9 million for the six months ended June 30, 2016. The significant components of the increase include the following:

- 1) An increase in the net change in long-term borrowings of \$387.5 million (long-term borrowings decreased \$108.3 million during the six months ended June 30, 2016 and increased \$279.2 million during the six months ended June 30, 2017) due primarily to increased payments for acquisitions;
- 2) An increase of \$17.5 million from an increase in book overdraft due to a higher volume of outstanding checks resulting from the acquisition of Progressive Waste; and
- 3) An increase of \$9.4 million from reduced debt issuance costs resulting primarily from our Credit Agreement that we entered into in June 2016 in conjunction with the Progressive Waste acquisition; less
- 4) An increase in cash dividends paid of \$27.9 million due primarily to an increase in our quarterly dividend rate to \$0.12 per share for the six months ended June 30, 2017, from \$0.097 per share for the six months ended June 30, 2016, and an increase in common shares outstanding 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 13,156,098 of our common shares (after giving effect to the three-for-two share split) 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 90,225 common shares (after giving effect to the three-for-two share split), which represents 25% of the average daily trading volume on the TSX of 360,901 common shares (after giving effect to the three-for-two share split) 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. Shareholders may obtain a copy of our TSX Form 12 – Notice of Intention to Make a Normal Course Issuer Bid, without charge, by request directed to our Vice President – Finance at (832) 442-2200.

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 six months ended June 30, 2017, we did not repurchase any common shares pursuant to the NCIB. For the six months ended June 30, 2016, we did not repurchase any common shares pursuant to the NCIB, nor did Old Waste Connections repurchase shares of its common stock pursuant to its share repurchase program.

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. In October 2016, our Board of Directors authorized an increase to our regular quarterly cash dividend of \$0.023, from \$0.097 to \$0.12 per share. Cash dividends of \$63.5 million and \$35.6 million were paid during the six months ended June 30, 2017 and 2016, respectively. We cannot assure you as to the amounts or timing of future dividends.

We made \$202.6 million in capital expenditures during the six months ended June 30, 2017. We expect to make capital expenditures of approximately \$460 million in 2017 in connection with our existing business. We have funded and intend to fund the balance of our planned 2017 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.

As of June 30, 2017, \$1.638 billion under the term loan and \$257.0 million under the revolving credit facility were outstanding under our Credit Agreement, exclusive of outstanding standby letters of credit of \$215.9 million. Our Credit Agreement matures in June 2021.

As of June 30, 2017, we had the following contractual obligations:

Recorded Obligations	Payments Due by Period				
	(amounts in thousands of U.S. dollars)				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Long-term debt	\$ 3,991,860	\$ 11,511	\$ 194,047	\$ 2,224,842	\$ 1,561,460
Cash interest payments	\$ 571,828	\$ 110,538	\$ 211,357	\$ 131,689	\$ 118,244
Contingent consideration	\$ 77,656	\$ 29,165	\$ 3,224	\$ 11,414	\$ 33,853
Final capping, closure and post-closure	\$ 1,362,409	\$ 16,164	\$ 21,315	\$ 18,480	\$ 1,306,450

Long-term debt payments include:

- 1) \$257.0 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 June 30, 2017, \$11.6 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 June 30, 2017) and \$245.4 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 2.18% at June 30, 2017).
- 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 June 30, 2017, 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 2.43% at June 30, 2017).
- 3) \$50.0 million in principal payments due April 20, 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%. We have recorded this obligation in the payments due in 3 to 5 years category in the table above as we have the intent and ability to redeem the 2018 Notes on April 20, 2018 using borrowings under our Credit Agreement.
- 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 2023 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) \$150.0 million in principal payments due 2024 related to our 2024 Notes. Holders of the 2024 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2024 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 2024 Notes bear interest at a rate of 3.24%.
- 10) \$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%.
- 11) \$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%.
- 12) \$250.0 million in principal payments due 2027 related to our 2027 Notes. Holders of the 2027 Notes may require us to purchase their notes in cash at a purchase price of 100% of the principal amount of the 2027 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 2027 Notes bear interest at a rate of 3.49%.
- 13) \$95.4 million in principal payments related to our tax-exempt bonds, which bear interest at variable rates (ranging between 0.97% and 1.00% at June 30, 2017). The tax-exempt bonds have maturity dates ranging from 2018 to 2039.
- 14) \$26.9 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 2.00% and 24.81% at June 30, 2017, and have maturity dates ranging from 2017 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, the Canadian Dollar Offered Rate plus the applicable acceptance fee and the Canadian prime rate plus the applicable Canadian prime rate margin at June 30, 2017. 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 \$58.3 million recorded as liabilities in our Condensed Consolidated Financial Statements at June 30, 2017, and \$19.4 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 of U.S. dollars)				
Unrecorded Obligations⁽¹⁾	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years
Operating leases	\$ 166,526	\$ 28,094	\$ 40,816	\$ 28,180	\$ 69,436
Unconditional purchase obligations	\$ 44,925	\$ 37,950	\$ 6,975	\$ -	\$ -

(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 June 30, 2017, our unconditional purchase obligations consisted of multiple fixed-price fuel purchase contracts under which we have 19.4 million gallons remaining to be purchased for a total of \$44.9 million. The current fuel purchase contracts expire on or before December 31, 2018. These arrangements have not materially affected our financial position, results of operations or liquidity during the six months ended June 30, 2017, 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 \$867.9 million and \$862.7 million at June 30, 2017 and December 31, 2016, respectively. These arrangements have not materially affected our financial position, results of operations or liquidity during the six months ended June 30, 2017, 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 six month periods ended June 30, 2017 and 2016, at all of our landfills during the respective period, is shown below (tons in thousands):

	Six months ended June 30,			
	2017		2016	
	Number of Sites	Total Tons	Number of Sites	Total Tons
Owned operational landfills and landfills operated under life-of-site agreements	87	20,843	88	12,671
Operated landfills	6	267	6	279
	<u>93</u>	<u>21,110</u>	<u>94</u>	<u>12,950</u>

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 or minus change in book overdraft, plus proceeds from disposal of assets, 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 six month periods ended June 30, 2017 and 2016, are calculated as follows (amounts in thousands of U.S. dollars):

	Six months ended	
	June 30,	
	2017	2016
Net cash provided by operating activities	\$ 551,906	\$ 259,646
Plus: Change in book overdraft	19,479	1,998
Plus: Proceeds from disposal of assets	20,617	1,560
Plus: Excess tax benefit associated with equity-based compensation	-	5,015
Less: Capital expenditures for property and equipment	(202,617)	(112,087)
Less: Distributions to noncontrolling interests	-	(3)
Adjustments:		
Payment of contingent consideration recorded in earnings (a)	-	132
Cash received for divestitures (b)	(17,400)	-
Transaction-related expenses (c)	2,459	72,042
Integration-related and other expenses (d)	5,110	24,529
Pre-existing Progressive Waste share-based grants (e)	11,915	-
Synergy bonus (f)	11,798	-
Tax effect (g)	(9,648)	(18,410)
Adjusted free cash flow	<u>\$ 393,619</u>	<u>\$ 234,422</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 elimination of cash received in conjunction with the divestiture of Progressive Waste operations.
- (c) Reflects the addback of acquisition-related transaction costs, which for 2016 primarily related to the Progressive Waste acquisition.
- (d) Reflects the addback of rebranding costs and other integration-related items associated with the Progressive Waste acquisition, including professional fees and severance costs.
- (e) Reflects the cash settlement of pre-existing Progressive Waste share-based awards during the period.
- (f) Reflects the addback of cash bonuses paid pursuant to the Company's Synergy Bonus Program adopted on July 19, 2016 in conjunction with the Progressive Waste acquisition.
- (g) The aggregate tax effect of footnotes (a) through (f) 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 attributable to Waste Connections, plus net income attributable to noncontrolling interests, 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 six month periods ended June 30, 2017 and 2016, are calculated as follows (amounts in thousands of U.S. dollars):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income attributable to Waste Connections	\$ 123,656	\$ 27,489	\$ 138,530	\$ 72,331
Plus: Net income attributable to noncontrolling interests	231	231	377	406
Plus: Income tax provision	52,675	15,265	35,804	44,265
Plus: Interest expense	31,160	20,485	60,291	37,670
Plus: Depreciation and amortization	157,589	98,429	308,339	167,020
Plus: Closure and post-closure accretion	2,917	1,758	5,835	2,874
Plus/less: Impairments and other operating items	(1,180)	(3,284)	140,501	(3,048)
Plus/less: Other expense (income), net	(1,860)	714	(3,326)	492
Plus/less: Foreign currency transaction loss (gain)	1,048	(689)	1,638	(689)
Adjustments:				
Plus: Transaction-related expenses (a)	715	37,702	2,459	46,516
Plus: Pre-existing Progressive Waste share-based grants (b)	4,103	5,357	10,578	5,357
Plus: Integration-related and other expenses (c)	2,594	30,122	5,422	30,122
Adjusted EBITDA	<u>\$ 373,648</u>	<u>\$ 233,579</u>	<u>\$ 706,448</u>	<u>\$ 403,316</u>

- (a) Reflects the addback of acquisition-related transaction costs, which for 2016 primarily related to the Progressive Waste acquisition.
- (b) Reflects share-based compensation costs, including changes in fair value, associated with share-based awards granted by Progressive Waste outstanding at the time of the Progressive Waste acquisition.
- (c) Reflects the addback of rebranding costs and other integration-related items, including professional fees and severance costs, associated 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 six month periods ended June 30, 2017 and 2016, are calculated as follows (amounts in thousands of U.S. dollars, except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Reported net income attributable to Waste Connections	\$ 123,656	\$ 27,489	\$ 138,530	\$ 72,331
Adjustments:				
Amortization of intangibles (a)	24,762	14,081	50,272	21,775
Impairments and other operating items (b)	(1,180)	(3,284)	140,501	(3,048)
Transaction-related expenses (c)	715	37,702	2,459	46,516
Pre-existing Progressive Waste share-based grants (d)	4,103	5,357	10,578	5,357
Integration-related and other expenses (e)	2,594	30,122	5,422	30,122
Tax effect (f)	(9,188)	(18,257)	(72,253)	(24,629)
Adjusted net income attributable to Waste Connections	<u>\$ 145,462</u>	<u>\$ 93,210</u>	<u>\$ 275,509</u>	<u>\$ 148,424</u>
Diluted earnings per common share attributable to Waste Connections' common shareholders:				
Reported net income	\$ 0.47	\$ 0.13	\$ 0.52	\$ 0.37
Adjusted net income	<u>\$ 0.55</u>	<u>\$ 0.44</u>	<u>\$ 1.04</u>	<u>\$ 0.75</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, which for 2016 primarily related to the Progressive Waste acquisition.
- (d) Reflects share-based compensation costs, including changes in fair value, associated with share-based awards granted by Progressive Waste outstanding at the time of the Progressive Waste acquisition.
- (e) Reflects the addback of rebranding costs and other integration-related items, including professional fees and severance costs, associated with the Progressive Waste acquisition.
- (f) The aggregate tax effect of the adjustments in footnotes (a) through (e) is calculated based on the applied tax rates for the respective periods.

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 10%. 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 June 30, 2017, our derivative instruments included 11 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 of U.S. dollars):

Date Entered	Notional Amount	Fixed Interest Rate Paid*	Variable Interest Rate Received	Effective Date	Expiration Date
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 June 30, 2017 and December 31, 2016, of \$1.540 billion and \$1.594 billion, 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 June 30, 2017 and December 31, 2016, would decrease our annual pre-tax income by approximately \$15.4 million and \$15.9 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 64.0 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 June 30, 2017, our derivative instruments included four fuel hedge agreements as follows:

Date Entered	Notional Amount (in gallons per month)	Diesel Rate Paid Fixed (per gallon)	Diesel Rate Received Variable	Effective Date	Expiration Date
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, 2017, we expect to purchase approximately 64.0 million gallons of fuel, of which 33.9 million gallons will be purchased at market prices, 18.1 million gallons will be purchased under our fixed price fuel purchase contracts and 12.0 million gallons are hedged at a fixed price under our fuel hedge agreements. During the six month period of July 1, 2017 to December 31, 2017, we expect to purchase approximately 17.0 million gallons of fuel at market prices; therefore, a \$0.10 per gallon increase in the price of fuel over the remaining six months in 2017 would decrease our pre-tax income during this period by approximately \$1.7 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 six months ended June 30, 2017 and 2016, would have had a \$8.3 million and \$2.7 million impact on revenues for the six months ended June 30, 2017 and 2016, 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 June 30, 2017, 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 June 30, 2017, 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 17 of our Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and is incorporated herein by reference.

Item 5. Other Information

At a regularly scheduled meeting of the Compensation Committee of the Board of Directors of the Company (the “Compensation Committee”) held on July 24, 2017, the Compensation Committee approved certain housekeeping amendments to the Company’s 2016 Incentive Award Plan (the “2016 Plan”). The 2016 Plan, as amended, clarifies and reinforces the Company’s existing discretion under the 2016 Plan to settle awards of Deferred Share Units, Restricted Share Units, and certain other performance awards through cash or Shares (or a combination thereof). The 2016 Plan, as amended, also reflects certain additional amendments of a housekeeping nature and updates to the number of common shares reserved by the Company pursuant to the Company’s three-for-two share split effected on June 7, 2017. The Board of Directors of the Company subsequently approved amending the 2016 Plan at its regularly scheduled meeting held on the same date.

The above description of the 2016 Plan is intended as a summary only and is qualified in its entirety by the information set forth therein. For further information regarding the 2016 Plan, as it may be amended or amended and restated from time to time, reference is made to the 2016 Plan, which is filed hereto as Exhibit 10.1 and is incorporated herein by this reference.

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 U.S. 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: July 26, 2017

BY: /s/ Ronald J. Mittelstaedt

Ronald J. Mittelstaedt,
Chief Executive Officer

Date: July 26, 2017

BY: /s/ Worthing F. Jackman

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

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
3.1	Articles of Amendment dated June 7, 2017 (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed on May 26, 2017)
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)
4.1	Master Note Purchase Agreement, dated as of June 1, 2016 (incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K filed on June 7, 2016)
4.2	First Supplement to Master Note Purchase Agreement, dated as of February 13, 2017, including forms of the 2017A Notes filed as exhibits thereto (incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K filed on February 17, 2017)
10.1+	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
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**

1. PURPOSE.

The purpose of the Plan is to provide a means for the Company and any Subsidiary, through the grant of Options, Warrants, Restricted Shares, Restricted Share Units, Deferred Share Units, Performance Awards, Dividend Equivalents, and Share Payments to selected Employees (including officers), Directors and Consultants, to attract and retain persons of ability as Employees, Directors and Consultants, and to motivate such persons to exert their best efforts on behalf of the Company and any Subsidiary.

2. DEFINITIONS.

(a) “**Administrator**” means the entity that conducts the general administration of the Plan as provided in Section 4. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 4(f), or as to which the Board has assumed, the term “Administrator” shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

(b) “**Applicable Accounting Standards**” shall mean Generally Accepted Accounting Principles in the United States or Canada, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company’s financial statements under Applicable Securities Laws from time to time.

(c) “**Applicable Law**” means any applicable law, including without limitation: (i) the OBCA; (ii) Applicable Securities Laws; (iii) the Code and the Tax Act; (iv) any other applicable corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, provincial, state, local or foreign; and (v) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

(d) “**Applicable Securities Laws**” means: (i) the Securities Act, the Exchange Act and any rules or regulations thereunder and any applicable state securities laws; and (ii) the OSA and the equivalent thereof in each province and territory of Canada in which the Company is a “reporting issuer” or the equivalent thereof, together with the regulations, rules and blanket orders of the securities commission or similar regulatory authority in each of such jurisdictions.

(e) “**Award**” means an Option, a Warrant, a Restricted Share, a Restricted Share Unit, a Deferred Share Unit, a Performance Award, a Dividend Equivalent, or a Share Payment, which may be awarded or granted under the Plan.

(f) “**Award Agreement**” means any written notice, agreement, terms and conditions, contract or other instrument or document evidencing an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

(g) “**Award Limit**” means with respect to Awards that shall be payable in Shares or in cash, as the case may be, the respective limit set forth in Section 3(b).

(h) “**Blackout Period**” means the period of time during which the relevant Participant is prohibited from exercising or trading securities of the Company due to restrictions on the trading of the Company’s securities imposed by the Company in accordance with its trading policies affecting trades by persons designated by the Company.

(i) “**Board**” means the board of directors of the Company.

(j) “**Canadian Employee Participant**” means a Canadian Participant who is granted an Award in respect of, in the course of, or by virtue of such Participant’s “office or employment” within the meaning of the Tax Act.

(k) “**Canadian Participant**” means a Participant who is resident in Canada for the purposes of the Tax Act and/or who is subject to taxation under the Tax Act in respect of any Award awarded or granted under the Plan.

(l) “**Change in Control**” means:

(i) any reorganization, liquidation or consolidation of the Company, or any merger, amalgamation, arrangement or other business combination of the Company with any other corporation, other than any such merger, amalgamation, arrangement or other combination that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such transaction;

(ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company;

(iii) a transaction or series of related transactions in which any “person” (as defined in Section 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the Company’s outstanding voting securities (except that for purposes of this definition, “person” shall not include any person (or any person that controls, is controlled by or is under common control with such person) who as of the date of an Award Agreement owns ten percent (10%) or more of the total voting power represented by the outstanding voting securities of the Company, or a trustee or other fiduciary holding securities under any employee benefit plan of the Company, or a corporation that is owned directly or indirectly by the Shareholders of the Company in substantially the same percentage as their ownership of the Company); or

(iv) individuals who were proposed as nominees (but not including any nominee under a shareholder proposal or under a shareholder resolution proposed in connection with a requisitioned meeting) to become directors of the Company immediately prior to a meeting of shareholders involving a contest for, or an item of business relating to the election of directors of the Company, not constituting a majority of the directors of the Company following such election.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any portion of an Award awarded or granted to a US Participant that provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (i), (ii), (iii) or (iv) with respect to such Award (or portion thereof) must also constitute a "change in control event", as defined in Treasury Regulation Section 1.409A-3(i)(5) to the extent required by Section 409A. The Committee shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation to the extent relevant to Awards awarded or granted to US Participants.

(m) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder.

(n) "**Committee**" means the Compensation Committee of the Board, or another committee or subcommittee of the Board or the Compensation Committee, appointed as provided in Section 4(a).

(o) "**Company**" means Waste Connections, Inc., a corporation existing under the OBCA.

(p) "**Consultant**" means any person, including an advisor, engaged by the Company or a Subsidiary to render consulting services and who is compensated for such services; provided that: (i) if such person is a US Participant, such person qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement; (ii) if such person is a Canadian Participant, such person does not constitute an "employee" within the meaning of the Tax Act, and, to the extent required by any stock exchange on which the Shares are listed, provides services to the Company or a Subsidiary for an initial, renewable or extended period of twelve months or more; and (iii) the term "Consultant" shall not include Directors.

(q) "**Continuous Status as an Employee, Director or Consultant**" means the individual's employment as an Employee or relationship as a Consultant is not interrupted or terminated, or, in the case of a Director who is not otherwise an Employee, the term means the Director remains a Director of the Company, and provided further that an individual's employment as an Employee shall be deemed to have terminated on the date the Employee ceases to actively provide services to the Company or a Subsidiary, regardless of any subsequent notice period under applicable statute or common law or pay in lieu of such notice. The Board, in its sole discretion, may determine whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of (i) any leave of absence approved by the Board, including sick leave, parental leave, military leave or any other personal leave, or (ii) transfers between locations of the Company or between the Company and a Subsidiary or their successors.

(r) “**Covered Employee**” means any US Participant who is an Employee and who is, or could be, a “covered employee” within the meaning of Section 162(m) of the Code.

(s) “**Deferred Share Unit**” means a unit credited by means of a bookkeeping entry on the books of the Company, awarded to a Director pursuant to Section 9, representing the right to receive a cash payment or, at the discretion of the Company, its equivalent in Shares (or a combination thereof), on the applicable Deferred Share Unit Settlement Date.

(t) “**Deferred Share Unit Agreement**” means the Award Agreement evidencing the terms and conditions of an individual grant of Deferred Share Units. Each Deferred Share Unit Agreement shall be subject to the terms and conditions of the Plan that apply to Deferred Share Units.

(u) “**Deferred Share Unit Award**” means an award of Deferred Share Units made pursuant to the terms and conditions of the Plan.

(v) “**Deferred Share Unit Settlement Date**” in respect of a particular Director means the third business day following the earliest time of: (i) the Director’s death; or (ii) the latest time that the Director ceases to be an employee, officer or director of the Company and any affiliate (within the meaning of that term in paragraph 8 of Interpretation Bulletin IT-337R4, *Retiring Allowances [Consolidated]*, or any successor publication thereto).

(w) “**Director**” means a member of the Company’s Board.

(x) “**Disability**” means, (i) in respect of a US Participant, permanent and total disability within the meaning of Section 422 (c)(6) of the Code, and, (ii) in respect of a Canadian Participant, means any physical or mental incapacity, disease or affliction as determined by a legally qualified medical practitioner selected by the Company, which prevents the Canadian Participant from performing his employment or consulting obligations for at least one hundred and eighty (180) consecutive days or an aggregate of two hundred and seventy (270) days during the terms of his employment or consulting relationship.

(y) “**Dividend Equivalent**” means a right to receive the equivalent value (in cash or Shares) of dividends paid on Shares, awarded under Section 12(b).

(z) “**DRO**” means, in respect of a US Participant, a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

(aa) “**Effective Date**” means the date the Plan is approved by the Board, subject to the approval of the Plan and/or Shares issuable pursuant to the Plan by the Company’s shareholders.

(bb) “**Eligible Individual**” means any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Committee.

(cc) “**Employee**” means any person employed by the Company or any Subsidiary of the Company. Any officer of the Company or a Subsidiary is an Employee. A Director is not an Employee unless he or she has an employment relationship with the Company or a Subsidiary in addition to being a Director. Service as a Consultant shall not be sufficient to constitute “employment” by the Company or any Subsidiary of the Company.

(i) “**Equity Restructuring**” means a nonreciprocal transaction between the Company and its shareholders, such as a share dividend, share split, share consolidation, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other securities of the Company) or the share price of Shares (or other securities) and causes a change in the per-share value of the Shares underlying outstanding Awards.

(dd) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended from time to time.

(ee) “**Fair Market Value**” means, as of any date, the value of a Share determined as follows:

(i) If the Shares are listed on the New York Stock Exchange, its Fair Market Value shall be the closing sales price for the Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system on the market trading day of the date of determination, or, if the date of determination is not a market trading day, the last market trading day prior to the date of determination, in each case as reported by such stock exchange or national market system or such other sources as the Board deems reliable;

(ii) If the Shares are not listed on the New York Stock Exchange, but are listed on any other established stock exchange or a national market system in Canada or the United States, including without limitation the Toronto Stock Exchange, its Fair Market Value shall be the closing sales price for the Shares (or the closing bid, if no sales were reported) as quoted on such exchange or system on the market trading day of the date of determination, or, if the date of determination is not a market trading day, the last market trading day prior to the date of determination, in each case as reported by such stock exchange or national market system or such other sources as the Board deems reliable;

(iii) If (i) or (ii) do not apply, but the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Shares on the market trading day of the date of determination, or, if the date of determination is not a market trading day, the last market trading day prior to the date of determination; or

(iv) In absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Board;

provided that in the case of any of (i) through (iv), for any particular Award, the Board may convert such price to currency other than the currency of trading, quotation or determination based on the applicable exchange rate posted for such day by the Wall Street Journal.

(ff) “**Insider**” has the meaning given to such term by the rules of the Toronto Stock Exchange.

(gg) “**Insider and Non-Employee Director Participation Limits**” has the meaning given to such term in Section 3(b).

(hh) “**Non-Employee Director**” means a Director of the Company who is not an Employee.

(ii) “**Nonqualified Share Option**” means an option to acquire one Share, awarded under Section 5, that is not intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code.

(jj) “**OBCA**” means the *Business Corporations Act* (Ontario), together with the regulations thereto, as may be amended from time to time.

(kk) “**Option Agreement**” means the Award Agreement evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan that apply to Options.

(ll) “**Optionee**” means an Employee, Director or Consultant who holds an outstanding Option.

(mm) “**Options**” means:

(A) in respect of a US Participant, Nonqualified Share Options awarded under Section 5; and

(B) in respect of a Canadian Participant, an option to acquire one Share awarded under Section 5.

(nn) “**OSA**” means the Securities Act (Ontario), as amended from time to time.

(oo) “**Participant**” means a person who has been granted an Award.

(pp) “**Performance Award**” means a cash bonus award, share bonus award, performance award or incentive award that is paid in cash, or at the discretion of the Company, Shares or a combination of both, awarded under Section 12(a).

(qq) “**Performance-Based Compensation**” means, in respect of any US Participant, any compensation that is intended to qualify as “performance-based compensation” as described in Section 162(m)(4)(C) of the Code.

(rr) “**Performance Criteria**” means the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(i) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization), expressed in dollars or as a percent of revenues; (ii) gross or net sales or revenue; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings or profit; (vi) cash flow (including, but not limited to, cash flow from operating activities and free cash flow); (vii) return on assets; (viii) return on invested capital; (ix) return on shareholders’ equity; (x) total shareholder return; (xi) return on sales; (xii) gross or net profit margin or operating margin; (xiii) costs; (xiv) expenses; (xv) working capital; (xvi) earnings per share; (xvii) adjusted earnings per share; (xviii) price per share; (xix) regulatory body approval for commercialization of a product; (xx) implementation or completion of critical projects; (xxi) market share; (xxii) economic value; (xxiii) gross profit; (xxiv) net cash provided by operating activities as a percentage of revenue; (xxv) customer satisfaction; (xxvi) safety performance; (xxvii) compound annual growth rate; (xxviii) total debt, interest expense, or total capital; (xxix) expense reduction and/or cash flow savings from integration of acquisitions; or (xxx) capital expenditures, any of which may be utilized in combination or measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices or to historic results.

(ii) The Administrator, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under Applicable Accounting Standards; (ix) items attributable to any share dividend, share split, share consolidation, combination or exchange of shares occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments; (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company’s core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; (xix) items related to commodities prices and fuel costs; (xx) items related to organized labor efforts; (xxi) items related to relocation of corporate offices; (xxii) items relating to any other unusual or nonrecurring events or changes in Applicable Law, accounting principles or business conditions; or (xxiii) changes in currency exchange rates. For all Awards intended to qualify as Performance-Based Compensation in respect of US Participants, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

(ss) “**Performance Goals**” means, for a Performance Period, one or more goals established in writing by the Administrator for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division, business unit, or an individual. The achievement of each Performance Goal shall be determined, to the extent applicable, with reference to Applicable Accounting Standards.

(tt) “**Performance Period**” means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, an Award.

(uu) “**Performance Share Unit**” means a Performance Award awarded under Section 12(a) which is denominated in units of value including dollar value of Shares.

(vv) “**Plan**” means this Waste Connections, Inc. 2016 Incentive Award Plan, as it may be amended or amended and restated from time to time.

(ww) “**Program**” means any program adopted by the Administrator pursuant to the Plan containing the terms and conditions intended to govern a specified type of Award granted under the Plan and pursuant to which such type of Award may be granted under the Plan.

(xx) “**Restricted Share**” means a Share awarded under the Plan in accordance with the terms and conditions set forth in Section 7 which is subject to forfeiture or buyback by the Company over the Restriction Period.

(yy) “**Restricted Share Agreement**” means the Award Agreement evidencing the terms and conditions of an individual grant of Restricted Shares. Each Restricted Share Agreement shall be subject to the terms and conditions of the Plan that apply to Restricted Shares.

(zz) “**Restricted Share Award**” means Restricted Shares awarded pursuant to the terms and conditions of the Plan.

(aaa) “**Restricted Share Unit**” means a unit credited by means of a bookkeeping entry on the books of the Company, awarded pursuant to Section 8, representing the right to receive a cash payment or, at the discretion of the Company, its equivalent in Shares (or a combination), upon the attainment of designated performance milestones or the completion of a specified period of employment or service with the Company or any Subsidiary or upon a specified date or dates following the attainment of such milestones or the completion of such service period.

(bbb) “**Restricted Share Unit Agreement**” means the Award Agreement evidencing the terms and conditions of an individual grant of Restricted Share Units. Each Restricted Share Unit Agreement shall be subject to the terms and conditions of the Plan that apply to Restricted Share Units.

(ccc) “**Restricted Share Unit Award**” means an award of Restricted Share Units made pursuant to the terms and conditions of the Plan.

(ddd) “**Restriction Period**” means a time period, which may or may not be based on Performance Goals and/or the satisfaction of vesting provisions (which may depend on the Continuous Status as an Employee, Director or Consultant of the applicable Restricted Share Participant), that applies to, and is established or specified by the Administrator at the time of, each Restricted Share Award.

(eee) “**RSU Service Year**” has the meaning ascribed thereto in Section 8(b)(ii).

(fff) “**Rule 16b-3**” means Rule 16b-3 under the Exchange Act or any successor to Rule 16b-3, as amended from time to time.

(ggg) “**Securities Act**” means the Securities Act of 1933, as amended.

(hhh) “**Shares**” means common shares in the capital of the Company.

(iii) “**Share Payment**” means (i) a payment in the form of Shares, or (ii) an option or other right to purchase Shares, as part of a bonus, deferred compensation or other arrangement, awarded under Section 12.

(jjj) “**Substitute Award**” means an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a corporate transaction, such as a merger, amalgamation, arrangement, combination, consolidation or acquisition of property or shares; provided, however, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Warrant.

(kkk) “**Subsidiary**” means any body corporate that, at the time an Award is granted under the Plan, qualifies as a subsidiary of the Company under Section 1(2) of the OBCA, provided that: (i) in respect of US Participants, a body corporate will only be a Subsidiary if it qualifies as a “subsidiary” under Section 424(f) of the Code; and (ii) in respect of Canadian Employee Participants, a body corporate will only be a Subsidiary to the extent it does not deal at arm’s length, within the meaning of the Tax Act, with the Company.

(lll) “**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time, together with the regulations thereto.

(mmm) “**US Participant**” means a Participant who is a resident or citizen of the United States for the purposes of the Code and/or who is subject to taxation under the Code in respect of any Award awarded or granted under the Plan.

(nnn) “**Warrant**” means a warrant awarded under the Plan in accordance with the terms and conditions set forth in Section 6.

(000) “**Warrant Agreement**” means the Award Agreement evidencing the terms and conditions of an individual Warrant grant. Each Warrant Agreement shall be subject to the terms and conditions of the Plan that apply to Warrants.

3. SHARES SUBJECT TO THE PLAN.

(a) Shares Available for Awards.

(i) Subject to Sections 3(a)(ii) and 12(a), the aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan is 7,500,000 Shares (not including any Shares purchased on the open market).

(ii) Notwithstanding anything to the contrary contained herein, the following Shares shall not be returned or re-added to the Shares authorized for issuance under Section 3(a)(i): (A) Shares tendered by a Participant or withheld by the Company in payment of the exercise price of an Option or purchase price of a Warrant; (B) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award; and (C) Shares reserved for issuance on the exercise of any Options or Warrants which are settled for cash proceeds instead of through the issuance of Shares upon the exercise of such Options or Warrants. Any Shares repurchased by the Company under Section 7(d) at the same price paid by the Participant shall again be available for Awards. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the Shares available for issuance under the Plan.

(iii) Subject to any approval required from any stock exchange on which the Shares are listed, substitute Awards shall not reduce the Shares authorized for grant under the Plan. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, subject to any approval required from any stock exchange on which the Shares are listed, the shares remaining available for issuance pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common shares of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Subsidiaries immediately prior to such acquisition or combination.

(b) Award Limits. Notwithstanding any provision in the Plan to the contrary, and subject to Section 13:

(i) the maximum aggregate number of Shares with respect to one or more Awards that may be granted to any one person during any calendar year shall be 750,000;

(ii) the maximum aggregate number of Shares with respect to Options that may be granted to any one person during any calendar year shall be 750,000;

(iii) the maximum aggregate number of Shares with respect to Warrants that may be granted to any one person during any calendar year shall be 375,000;

(iv) the maximum aggregate amount of cash that may be paid in cash to any one person during any calendar year with respect to one or more Awards payable in cash shall be U.S.\$7,500,000;

(v) the aggregate number of Shares issuable to Insiders under the Plan and all other Security-Based Compensation Arrangements of the Company and its Subsidiaries shall not exceed ten percent (10%) of the issued and outstanding Shares;

(vi) during any one-year period, the aggregate number of Shares issued to Insiders under the Plan and all other Security-Based Compensation Arrangements of the Company and its Subsidiaries shall not exceed ten percent (10%) of the issued and outstanding Shares; and

(vii) notwithstanding the foregoing or any other incentive compensation plan of the Company or any of its Subsidiaries, or any other compensatory policy or program of the Company applicable to its non-employee directors (collectively, the “**Director Programs**”), the sum of “A” and “B” below for any individual, non-employee director for any calendar year beginning on or after January 1, 2016 shall not exceed U.S.\$350,000 (or U.S.\$700,000 for any non-employee director: (y) in the first calendar year of such non-employee director’s service to the Company; or (z) for any calendar year that such non-employee director serves as the non-executive Chair of the Board), where:

“A” equals the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards and any other security-based awards granted under the Director Programs (other than with respect to any compensation described in “B” below) to such director during such calendar year, subject to a maximum fair value of Cdn.\$150,000 per calendar year (excluding (i) the fair value of any Awards and any other security-based awards granted under the Director Programs issued in lieu of cash fees, where the applicable award has the same value as such cash fees, (ii) a one-time initial grant of Awards to a new director upon joining the Board, (iii) and any Awards expressly permitted to be settled only in cash and not in Shares); and

“B” equals the aggregate cash value of such director’s retainer, meeting attendance fees, committee assignment fees, lead director retainer, committee chair and member retainers and other Board fees related to service on the Board or committee(s) of the Board that are initially denominated as a cash amount or any other property, other than Shares or securities of the Company (whether paid currently or on a deferred basis or in cash or other property), for such calendar year;

provided, however, that the limitations described in this clause (vii) shall be determined without regard to grants of awards under the Director Programs and compensation, if any, paid to a non-employee director during any period in which such individual was an Employee or Consultant; and

(viii) non-employee directors of the Company shall not be eligible to receive grants of Options or Warrants under the Plan.

Collectively, the restrictions referred to in Sections 3(b)(v), (vi), (vii) and (viii) are referred to as the “Insider and Non-Employee Director Participation Restrictions”.

(c) Shares Distributed. Where the Company elects to distribute Shares pursuant to an Award, such Shares may consist, in whole or in part, of authorized and unissued Shares or Shares purchased on the open market, provided that, notwithstanding any provision in the Plan to the contrary, all Options and Warrants granted to Canadian Participants shall be settled by way of the issuance of previously unissued Shares from treasury of the Company. For greater certainty, except where an Award is explicitly stated to be required to be settled in Shares, (i) no Participant shall have any right to demand, be paid in, or receive Shares in respect of any Award; and (ii) notwithstanding any election by the Company to settle any Award, or portion thereof, in the form of Shares, the Company reserves the right to change its election in respect thereof at any time until payment is actually made.

4. ADMINISTRATION.

(a) Administrator. The Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein). To the extent necessary to comply with Rule 16b-3 of the Exchange Act, and with respect to Awards that are intended to be Performance-Based Compensation, including Options or Warrants, then the Committee (or another committee or subcommittee of the Board assuming the functions of the Committee under the Plan) shall take all action with respect to such Awards, and the individuals taking such action shall consist solely of two or more Non-Employee Directors appointed by and holding office at the pleasure of the Board, each of whom is intended to qualify as both a “non-employee director” as defined by Rule 16b-3 of the Exchange Act or any successor rule and an “outside director” for purposes of Section 162(m) of the Code. Additionally, to the extent required by Applicable Law, each of the individuals constituting the Committee (or another committee or subcommittee of the Board assuming the functions of the Committee under the Plan) shall be an “independent director” under Applicable Law and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. Notwithstanding the foregoing, any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 4(a) or otherwise provided in any charter of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written or electronic notice to the Board. Vacancies in the Committee may only be filled by the Board. Notwithstanding the foregoing, (i) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Awards granted to Non-Employee Directors and, with respect to such Awards, the terms “Administrator” and “Committee” as used in the Plan shall be deemed to refer to the Board and (ii) the Board or Committee may delegate its authority hereunder to the extent permitted by Section 4(f).

(b) Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan, the Program and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Program or Award Agreement; provided that the rights or obligations of the Participant that is the subject of any such Program or Award Agreement are not affected adversely by such amendment, unless the consent of the Participant is obtained or such amendment is otherwise permitted under Section 10(k) or Section 18(h). Any such grant or award under the Plan need not be the same with respect to each Participant. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or any successor rule, or Section 162(m) of the Code, or any regulations or rules issued thereunder, or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded are required to be determined in the sole discretion of the Committee.

(c) Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

(d) Authority of Administrator. Subject to the Company's Bylaws, the Committee's Charter, the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, any specific designation in the Plan and Section 15, the Administrator has the exclusive power, authority and sole discretion to:

- (i) Designate Eligible Individuals to receive Awards;
- (ii) Determine the type or types of Awards to be granted to each Eligible Individual;

- (iii) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (iv) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, purchase price, any Performance Criteria, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;
- (v) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (vi) Prescribe the form of each Award Agreement, which need not be identical for each Participant;
- (vii) Decide all other matters that must be determined in connection with an Award;
- (viii) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;
- (ix) Interpret the terms of, and any matter arising pursuant to, the Plan, any Program or any Award Agreement;
- (x) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan; and
- (xi) Accelerate wholly or partially the vesting or lapse of restrictions of any Award or portion thereof at any time after the grant of an Award, subject to whatever terms and conditions it selects and Section 13.

(e) Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Program, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding and conclusive on all parties.

(f) Delegation of Authority. To the extent permitted by Applicable Law, the Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions pursuant to this Section 4; provided, however, that in no event shall an officer of the Company be delegated the authority to grant awards to, or amend awards held by, the following individuals: (i) individuals who are subject to Section 16 of the Exchange Act, (ii) Covered Employees or (iii) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under Section 162(m) of the Code and other Applicable Law. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 4(f) shall serve in such capacity at the pleasure of the Board and the Committee.

(g) Modification of Terms and Conditions through Employment or Consulting Agreements. Notwithstanding the provisions of any Award Agreement, any modifications to the terms and conditions of any Award permitted by Section 4(b) and Section 15 with respect to any Employee or Consultant may be effected by including the modification in an employment or consulting agreement between the Company or a Subsidiary and the Participant.

5. TERMS AND CONDITIONS OF OPTIONS.

Each Option granted shall be evidenced by an Option Agreement in substantially the form as may be approved by the Administrator. Each Option Agreement shall include the following terms and conditions and such other terms and conditions as the Administrator may deem appropriate and, in respect of Options granted to Canadian Employee Participants, any additional terms and conditions required to ensure that such Options are governed, at all times, by the provisions of Section 7 of the Tax Act:

(a) Option Term. Each Option Agreement shall specify the term for which the Option thereunder is granted and shall provide that such Option shall expire at the end of such term.

(b) Exercise Price. Each Option Agreement shall specify the exercise price per Share, as determined by the Administrator at the time the Option is granted, which exercise price shall in no event be less than the Fair Market Value per Share on the date of grant.

(c) Vesting. Each Option Agreement shall specify when it is exercisable. The total number of Shares subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). An Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable (“vest”) with respect to some or all of the Shares allotted to that period, and may be exercised with respect to some or all of the Shares allotted to such period or any prior period as to which the Option shall have become vested but shall not have been fully exercised. An Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Administrator deems appropriate.

(d) Company’s Repurchase Right on Option Shares. Each Option Agreement may, but is not required to, include provisions whereby the Company shall have the right, subject to Applicable Law, to repurchase any and all Shares acquired by an Optionee on exercise of any Option granted under the Plan, at such price and on such other terms and conditions as the Administrator may approve and as may be set forth in the Option Agreement; provided that, in respect of any Option granted to a Canadian Participant who would otherwise be eligible for preferential tax treatment under paragraph 110(1)(d) of the Tax Act in respect of such Option, the applicable Option Agreement shall provide that any such repurchase right cannot be exercised until (i) two years plus a day following the exercise of the Option, or (ii) after termination of an Optionee’s Continuous Status as an Employee, Director or Consultant, whenever such termination may occur and whether such termination is voluntary or involuntary, with cause or without cause, without regard to the reason therefor, if any.

(e) Substitute Awards. Notwithstanding the foregoing provisions of this Section 5 to the contrary, but subject to the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, in the case of an Option that is a Substitute Award, the price per share of the Shares subject to such Option may be less than the Fair Market Value per share on the date of grant of the Substitute Award; provided that the excess of: (i) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the Shares subject to the Substitute Award, over (ii) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

6. TERMS AND CONDITIONS OF WARRANTS.

Each Warrant granted shall be evidenced by a Warrant Agreement in substantially the form as may be approved by the Administrator. Each Warrant Agreement shall include the following terms and conditions and such other terms and conditions as the Administrator may deem appropriate, and, in respect of Warrants granted to Canadian Employee Participants, any additional terms and conditions required to ensure that such Warrants are governed, at all times, by the provisions of Section 7 of the Tax Act:

(a) Warrant Term. Each Warrant Agreement shall specify the term for which the Warrant thereunder is granted and shall provide that such Warrant shall expire at the end of such term.

(b) Exercise Price. Each Warrant Agreement shall specify the purchase price per share, as determined by the Administrator at the time the Warrant is granted, which purchase price shall in no event be less than the Fair Market Value per share on the date of grant.

(c) Vesting. Each Warrant Agreement shall specify when it is exercisable. The total number of Shares subject to a Warrant may, but need not, be allotted in periodic installments (which may, but need not, be equal). A Warrant Agreement may provide that from time to time during each of such installment periods, the Warrant may become exercisable (“vest”) with respect to some or all of the Shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period or any prior period as to which the Warrant shall have become vested but shall not have been fully exercised. A Warrant may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Administrator deems appropriate.

(d) Company's Repurchase Right on Warrant Shares. Each Warrant Agreement may, but is not required to, include provisions whereby the Company shall have the right, subject to Applicable Law, to repurchase any and all Shares acquired by a Participant on exercise of any Warrant granted under the Plan, at such price and on such other terms and conditions as the Administrator may approve and as may be set forth in the Warrant Agreement; provided that, in respect of any Warrant granted to a Canadian Participant who may otherwise be eligible for preferential tax treatment under paragraph 110(1)(d) of the Tax Act in respect of such Warrant, the applicable Warrant Agreement shall provide that any such repurchase right cannot be exercised until (i) two years plus a day following the exercise of the Warrant, or (ii) after termination of a Participant's Continuous Status as an Employee, Director or Consultant, whenever such termination may occur and whether such termination is voluntary or involuntary, with cause or without cause, without regard to the reason therefor, if any.

(e) Substitute Awards. Notwithstanding the foregoing provisions of this Section 6 to the contrary, but subject to the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, in the case of a Warrant that is a Substitute Award, the price per share of the Shares subject to such Warrant may be less than the Fair Market Value per share on the date of grant of such Substitute Award; provided that the excess of: (i) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the Shares subject to the Substitute Award, over (ii) the aggregate purchase price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate purchase price of such shares.

7. TERMS AND CONDITIONS OF RESTRICTED SHARE AWARDS.

(a) Restricted Share Award Agreement. Each Restricted Share Award shall be evidenced by a Restricted Share Agreement in substantially the form as may be approved by the Administrator. Each Restricted Share Agreement shall be executed by the Company and the Restricted Share Participant to whom such Restricted Share Award has been granted, unless the Restricted Share Agreement provides otherwise; two or more Restricted Share Awards granted to a single Restricted Share Participant may, however, be combined in a single Restricted Share Agreement. A Restricted Share Agreement shall not be a precondition to the granting of a Restricted Share Award; no person shall have any rights under any Restricted Share Award, however, unless and until the Restricted Share Participant to whom the Restricted Share Award shall have been granted (i) shall have executed and delivered to the Company a Restricted Share Agreement or other instrument evidencing the Restricted Share Award, unless such Restricted Share Agreement provides otherwise, (ii) has satisfied the applicable federal, provincial, state, local and/or foreign income and employment withholding tax liability with respect to the Shares which vest or become issuable under the Restricted Share Award, and (iii) has otherwise complied with the applicable terms and conditions of the Restricted Share Award.

(b) Restricted Share Awards Subject to Plan. All Restricted Share Awards under the Plan shall be subject to all the applicable provisions of the Plan, including the following terms and conditions, and to such other terms and conditions not inconsistent therewith, as the Administrator shall determine and which are set forth in the applicable Restricted Share Agreement.

(i) The Restricted Shares subject to a Restricted Share Award shall entitle the Restricted Share Participant to receive Restricted Shares, which are subject to forfeiture until the end of the Restriction Period. The Administrator shall have the discretionary authority to authorize Restricted Share Awards and determine the restrictions or Restriction Period for each such Award. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Participant's duration of employment, directorship or consultancy with the Company, the Performance Criteria, Company performance, individual performance or other criteria selected by the Administrator. By action taken after the Restricted Shares are issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Shares by removing any or all of the restrictions imposed by the terms of the applicable Program or Award Agreement. Restricted Shares may not be sold or encumbered until all restrictions are terminated or expire.

(ii) Subject to the terms and restrictions of this Section 7 or the applicable Restricted Share Agreement or as otherwise determined by the Administrator, upon delivery of Restricted Shares to a Restricted Share Participant, or upon creation of a book entry evidencing a Restricted Share Participant's ownership of Restricted Shares, pursuant to Section 7(e), the Restricted Share Participant shall have all of the rights of a shareholder with respect to such shares.

(c) Cash Payment. The Administrator shall establish the purchase price, if any, and form of payment for Restricted Shares. In all cases, legal consideration shall be required for each issuance of Restricted Shares.

(d) Forfeiture of Restricted Shares. If, during the Restriction Period, the Restricted Share Participant's Continuous Status as an Employee, Director or Consultant terminates for any reason, all of such Restricted Share Participant's Restricted Shares as to which the Restriction Period has not yet expired shall be forfeited and revert to the Plan, unless the Administrator has provided otherwise in the Restricted Share Agreement or in an employment or consulting agreement with the Restricted Share Participant, or the Administrator, in its discretion, otherwise determines to waive such forfeiture. If a price was paid by the Participant for the Restricted Shares, if the Restricted Share Participant's Continuous Status as an Employee, Director or Consultant terminates for any reason during the applicable restriction period, the Company shall have the right to repurchase from the Participant the unvested Restricted Shares then subject to restrictions at a cash price per Share equal to the price paid by the Participant for such Restricted Shares or such other amount as may be specified in the applicable Program or Award Agreement. Notwithstanding the foregoing, the Administrator, in its sole discretion, may provide that upon certain events, including a Change in Control, the Participant's death, retirement or Disability or any other specified termination of Continuous Status as an Employee, Director or Consultant or any other event, the Participant's rights in unvested Restricted Shares shall not lapse, such Restricted Shares shall vest and, if applicable, the Company shall not have a right of repurchase.

(e) Receipt of Share Certificates. Each Restricted Share Participant who receives a Restricted Share Award shall be issued one or more share certificates in respect of such Restricted Shares. Any such share certificates for Restricted Shares shall be registered in the name of the Restricted Share Participant but shall be appropriately legended and returned to the Company or its agent by the recipient, together with a Share power or other appropriate instrument of transfer, endorsed in blank by the recipient. Notwithstanding anything in the foregoing to the contrary, in lieu of the issuance of certificates for any Restricted Shares during the applicable Restriction Period, a “book entry” (i.e., a computerized or manual entry) may be made in the records of the Company, or its designated agent, as the Administrator, in its discretion, may deem appropriate, to evidence the ownership of such Restricted Shares in the name of the applicable Restricted Share Participant. Such records of the Company or such agent shall, absent manifest error, be binding on all Restricted Share Participants hereunder. The holding of Restricted Shares by the Company or its agent, or the use of book entries to evidence the ownership of Restricted Shares, in accordance with this Section 7(e), shall not affect the rights of Restricted Share Participants as owners of their Restricted Shares, nor affect the Restriction Period applicable to such shares under the Plan or the Restricted Share Agreement.

(f) Dividends. Subject to Applicable Law, a Restricted Share Participant who holds outstanding Restricted Shares shall not be entitled to any dividends paid thereon, other than dividends in the form of the Company’s securities. In addition, subject to Applicable Law, with respect to a Restricted Share with performance-based vesting, dividends which are paid prior to vesting shall only be paid out to the Restricted Share Participant to the extent that the performance-based vesting conditions are subsequently satisfied and the Restricted Share vests.

(g) Expiration of Restriction Period. Upon a Restricted Share Participant’s Restricted Shares becoming free of the foregoing restrictions, the Company shall, subject to Sections 10(j), 10(k) and 11(m), deliver share certificates evidencing such Share to such Restricted Share Participant. Such certificates shall be freely transferable, subject to any market black-out periods which may be imposed by the Company from time to time or insider trading policies to which the Restricted Share Participant may at the time be subject.

(h) Section 83(b) Election. If a US Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Share as of the date of transfer of the Restricted Share rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service along with proof of the timely filing thereof with the Internal Revenue Service.

(i) Trust. The Company or Administrator may, at its discretion, establish a trust governed by Section 7(2) of the Tax Act in respect of any Restricted Shares awarded to Canadian Employee Participants.

(j) Substitution of Restricted Share Awards. The Administrator may accept the surrender of outstanding Restricted Shares (to the extent that the Restriction Period or other restrictions applicable to such shares have not yet lapsed) and grant new Restricted Share Awards in substitution for such Restricted Shares.

8. TERMS AND CONDITIONS OF RESTRICTED SHARE UNIT AWARDS.

(a) Restricted Share Unit Award Agreement. Each Restricted Share Unit Award shall be evidenced by a Restricted Share Unit Agreement in substantially the form or forms as may be approved by the Administrator. Each Restricted Share Unit Agreement shall be executed by the Company and the Restricted Share Unit Participant to whom such Restricted Share Unit Award has been granted, unless the Restricted Share Unit Agreement provides otherwise; two or more Restricted Share Unit Awards granted to a single Restricted Share Unit Participant may, however, be combined in a single Restricted Share Unit Agreement. A Restricted Share Unit Agreement shall not be a precondition to the granting of a Restricted Share Unit Award; however, no person shall be entitled to receive any payment pursuant to a Restricted Share Unit Award unless and until the Restricted Share Unit Participant to whom the Restricted Share Unit Award shall have been granted (i) shall have executed and delivered to the Company a Restricted Share Unit Agreement or other instrument evidencing the Restricted Share Unit Award, unless such Restricted Share Unit Agreement provides otherwise, (ii) has satisfied or made arrangements to satisfy the applicable federal, provincial, state, local and/or foreign income and employment withholding tax liability with respect to the Shares which vest or become issuable under the Restricted Share Unit Award, and (iii) has otherwise complied with all the other applicable terms and conditions of the Restricted Share Unit Award.

(b) Restricted Share Unit Awards Subject to Plan. All Restricted Share Unit Awards under the Plan shall be subject to all the applicable provisions of the Plan, including the following terms and conditions, and to such other terms and conditions not inconsistent therewith, as the Administrator shall determine and which are set forth in the applicable Restricted Share Unit Agreement; provided that (i) all Restricted Share Units granted to US Participants shall be in compliance with Section 409A of the Code; and (ii) all Restricted Share Units granted to Canadian Employee Participants shall have terms and conditions necessary to ensure that such Restricted Share Units comply, at all times, with the requirements of paragraph (k) of the exception to the definition of “salary deferral arrangement” in subsection 248(1) of the Tax Act or are governed by the provisions of section 7 of the Tax Act.

(i) The Restricted Share Units subject to a Restricted Share Unit Award shall entitle the Restricted Share Unit Participant to receive a cash payment equal to the Fair Market Value of the Shares underlying those Restricted Share Units upon the attainment of designated performance goals, including but not limited to one or more Performance Criteria, Company performance, individual performance, the satisfaction of specified employment or service requirements, upon the expiration of a designated time period following the attainment of such goals or the satisfaction of the applicable service period or other specific criteria, in each case, subject to the remainder of this Section 8, on a specified date or dates or over any period or periods, as determined by the Administrator. At the Company’s discretion, the Company may elect to settle the cash payment obligation arising in respect of a Restricted Share Unit in the form of Shares. Except for Restricted Share Units granted to a Canadian Employee Participant, the Administrator may provide the Restricted Share Unit Participant with the right to elect the issue date or dates for the Shares which vest under his or her Restricted Share Unit Award. Subject to the remaining provisions of this Section 8, the issuance of vested Shares under the Restricted Share Unit Award may be deferred to a date following the termination of the Restricted Share Unit Participant’s employment or service with the Company and its Subsidiaries.

(ii) At the time of grant of any Restricted Share Units to a Canadian Employee Participant, the Administrator shall specify the year of service of the Canadian Employee Participant in respect of which the Restricted Share Units are granted (the “**RSU Service Year**”). Notwithstanding any provision of the Plan to the contrary, all such Restricted Share Units shall be in addition to, and not in substitution for or in lieu of, ordinary salary and wages received by such Canadian Employee Participant in respect of his services to the Company or a Subsidiary.

(iii) The Administrator shall specify the maturity date applicable to each grant of Restricted Share Units, which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Participant (if permitted by Section 8 (b)(i) above and the applicable Award Agreement); provided that, (A) in the case of Restricted Share Units granted to a Canadian Employee Participant, in no event shall the maturity date relating to each such Restricted Share Units occur later than December 15th of the third year following the applicable RSU Service Year; and (B) in the case of Restricted Share Units granted to a US Participant, in no event shall the maturity date relating to such Restricted Share Units occur following the later of: (a) the 15th day of the third month following the end of calendar year in which the applicable portion of the Restricted Share Unit vests; or (b) the 15th day of the third month following the end of the Company’s fiscal year in which the applicable portion of the Restricted Share Unit vests. On the maturity date, the Company shall, subject to Section 10(j)(v) and the provisions of the Award Agreement, pay to the Participant a cash amount equal to the Fair Market Value of one Share or, at the Company’s sole election, transfer to the Participant one unrestricted, fully transferable Share, for each Restricted Share Unit scheduled to be paid out on such date and not previously forfeited, or a combination of cash and Shares as determined by the Administrator.

(iv) The Restricted Share Unit Participant shall not have any shareholder rights with respect to the Shares subject to his or her Restricted Share Unit Award until that Award vests and the Shares are actually issued thereunder. However, Dividend Equivalents with respect to a Restricted Share Unit award may, in the sole discretion of the Administrator, be paid or credited, (A) in the case of a Canadian Employee Participant, in the form of additional Restricted Share Units having the same vesting and payout conditions as the original Restricted Share Unit Award; or (B) in the case of a US Participant, either in cash or in actual or phantom Shares, on one or more outstanding Restricted Share Units, subject to such terms and conditions as the Administrator may deem appropriate; provided, however, that Dividend Equivalents with respect to a Restricted Share Unit award with performance-based vesting that are based on dividends paid prior to the vesting of such Restricted Share Unit award shall only be paid out to the Participant to the extent that the performance-based vesting conditions are subsequently satisfied and such Restricted Share Unit award vests.

(v) An outstanding Restricted Share Unit Award shall automatically terminate, and no payment shall actually be made and no Shares shall actually be issued in satisfaction of that Award, if the performance goals or service requirements established for such Award are not attained or satisfied. The Administrator, however, shall have the discretionary authority to issue vested Shares under one or more outstanding Restricted Share Unit Awards as to which the designated performance goals or service requirements have not been attained or satisfied, subject to the requirements of Section 162(m) of the Code as to an Award that is intended to qualify as Performance-Based Compensation.

(vi) Service requirements for the vesting of Restricted Share Unit Awards may include service as an Employee, Consultant or Non-Employee Director.

(c) No Cash Payment. Restricted Share Unit Awards shall not require any cash payment from the Restricted Share Unit Participant to whom such Restricted Share Unit Award is made, either at the time such Award is made or at the time any payment becomes due or Shares become issuable under that Award. However, the making of any payment or issuance of any Shares shall be subject to the Restricted Share Unit Participant's satisfaction of all applicable federal, provincial, state, local and/or foreign income and employment withholding taxes.

(d) Forfeiture of Restricted Share Units. If the Restricted Share Unit Participant's Continuous Status as an Employee, Director or Consultant terminates for any reason, all of the Restricted Share Units subject to his or her outstanding Restricted Share Unit Awards shall, to the extent not vested at that time, be forfeited, and no payment shall be made and no Shares shall be issued pursuant to those forfeited Restricted Share Units, unless the Administrator has provided in the Restricted Share Unit Agreement or in an employment or consulting agreement with the Restricted Share Unit Participant that no such forfeiture shall occur, or the Administrator, in its sole discretion, otherwise determines to waive such forfeiture.

(e) Issuance of Share Certificates. Each Restricted Share Unit Participant who becomes entitled to an issuance of Shares following the vesting of his or her Restricted Share Unit Award shall, subject to Sections 10(j), 10(k) and 10(m), be issued one or more share certificates for those Shares. Subject to such Sections 10(j), 10(k) and 10(m), each such share certificate shall be registered in the name of the Restricted Share Unit Participant and shall be freely transferable, subject to Applicable Law and any market black-out periods which may be imposed by the Company from time to time or insider trading policies to which the Restricted Share Unit Participant may at the time be subject.

(f) No Rights as a Shareholder. Unless otherwise determined by the Administrator, a Participant of Restricted Share Units shall possess no incidents of ownership with respect to the Shares represented by such Restricted Share Units, unless and until the Company elects to transfer Shares to the Participant and such Shares are transferred to the Participant pursuant to the terms of this Plan and the Award Agreement.

9. TERMS AND CONDITIONS OF DEFERRED SHARE UNIT AWARDS.

(a) Deferred Share Unit Award Agreement. Each Deferred Share Unit Award shall be evidenced by a Deferred Share Unit Agreement in substantially the form or forms as may be approved by the Administrator. Each Deferred Share Unit Agreement shall be executed by the Company and the Director to whom such Deferred Share Unit Award has been granted, unless the Deferred Share Unit Agreement provides otherwise; two or more Deferred Share Unit Awards granted to a single Director may, however, be combined in a single Deferred Share Unit Agreement. A Deferred Share Unit Agreement shall not be a precondition to the granting of a Deferred Share Unit Award; however, no person shall be entitled to receive any payment pursuant to a Deferred Share Unit Award unless and until the Deferred Share Unit Participant to whom the Deferred Share Unit Award shall have been granted (i) shall have executed and delivered to the Company a Deferred Share Unit Agreement or other instrument evidencing the Deferred Share Unit Award, unless such Deferred Share Unit Agreement provides otherwise, (ii) has satisfied or made arrangements to satisfy the applicable federal, provincial, state, local and/or foreign income and employment withholding tax liability with respect to the Shares which vest or become issuable under the Deferred Share Unit Award and (iii) has otherwise complied with all the other applicable terms and conditions of the Deferred Share Unit Award.

(b) Deferred Share Unit Awards Subject to Plan. All Deferred Share Unit Awards under the Plan shall be subject to all the applicable provisions of the Plan, including the following terms and conditions, and to such other terms and conditions not inconsistent therewith, as the Administrator shall determine and which are set forth in the applicable Deferred Share Unit Agreement; provided that (i) all Deferred Share Units granted to US Participants shall be in compliance with Section 409A of the Code; and (ii) all Deferred Share Units granted to Canadian Participants shall have terms and conditions necessary to ensure that such Deferred Share Units comply, at all times, with the requirements of Regulation 6801(d) and paragraph (l) of the exception to the definition of “salary deferral arrangement” in subsection 248(1) of the Tax Act or are governed by the provisions of section 7 of the Tax Act.

(i) Notwithstanding any other provision of the Plan, no payment shall be made in respect of a Deferred Share Unit until after the earliest time of: (A) the Director’s death; or (B) the latest time that the Director 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.

(ii) On the Deferred Share Unit Settlement Date, the Company shall, subject to the Award Agreement, pay to the Participant a cash payment equal to the Fair Market Value of one Share or, at the Company's sole discretion, shall elect to transfer or issue to the Participant one unrestricted, fully transferable Share, for each Deferred Share Unit scheduled to be paid out on such date, or a combination of cash and Shares as determined by the Administrator, provided that a Deferred Share Unit, at the time of grant, may be expressly limited to be settled only in cash and not in Shares. All amounts to be paid in respect of any Deferred Share Unit granted to a Director shall depend 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.

(iii) The Deferred Share Unit Participant shall not have any shareholder rights with respect to the Shares subject to his or her Deferred Share Unit Award until that Award vests, the Company elects to transfer Shares to the Participant, and the Shares are actually issued thereunder. However, Dividend Equivalents with respect to a Deferred Share Unit award may, in the sole discretion of the Administrator, be paid or credited, (A) in the case of a Canadian Participant, in the form of additional Deferred Share Units having the same vesting and payout conditions as the original Deferred Share Unit Award; or (B) in the case of a US Participant, either in cash or in actual or phantom Shares, on one or more outstanding Deferred Share Units, subject to such terms and conditions as the Administrator may deem appropriate.

(c) No Cash Payment. Deferred Share Unit Awards shall not require any cash payment from the Deferred Share Unit Participant to whom such Deferred Share Unit Award is made, either at the time such Award is made or at the time any payment becomes due or Shares become issuable under that Award. However, the making of any payment or issuance of any Shares shall be subject to the Deferred Share Unit Participant's satisfaction of all applicable federal, provincial, state, local and/or foreign income and employment withholding taxes.

(d) Issuance of Share Certificates. Each Deferred Share Unit Participant who becomes entitled to an issuance of Shares following a Deferred Share Unit Settlement Date shall, subject to Sections 10(j), 10(k) and 10(m), be issued one or more share certificates for those Shares. Subject to such Sections 10(j), 10(k) and 10(m), each such share certificate shall be registered in the name of the Deferred Share Unit Participant and shall be freely transferable, subject to Applicable Law and any market black-out periods which may be imposed by the Company from time to time or insider trading policies to which the Deferred Share Unit Participant may at the time be subject.

(e) No Rights as a Shareholder. Unless otherwise determined by the Administrator, a Deferred Share Unit Participant shall possess no incidents of ownership with respect to the Shares represented by such Deferred Share Units, unless and until the Company elects to transfer Shares to the Participant and such Shares are transferred to the Participant pursuant to the terms of this Plan and the Award Agreement.

(f) No Additional Amounts. No Canadian Participant or any person who deals at non-arm's length, within the meaning of the Tax Act, with the Participant, shall be entitled, under 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.

(g) Conversion of Compensation into Deferred Share Units. Subject to such rules, regulations and conditions as the Committee, in its sole discretion, may impose, a Participant may elect, irrevocably, no later than December 15th of the calendar year preceding the year in which the election is to be effective, to have all or a portion of his ordinary cash compensation (the “**Participant Compensation**”) to be paid by his employer to such Participant for services to be performed in the calendar year following the date of the election, satisfied by way of Deferred Share Units (with the remainder to be received in cash), by completing and delivering to the Company an initial written election, in such form as may be approved by the Committee. Such election shall set out the percentage of such Participant’s compensation that the Participant wishes to be satisfied in the form of Deferred Share Units (with the remaining percentage to be paid in cash), within the limitations of this Section 9(g), for the calendar year for which the election is made and for subsequent years unless the Participant amends his election pursuant to this Section 9(g).

(i) A Participant may initiate or change the percentage of his Participant Compensation to be satisfied in the form of Deferred Share Units for any subsequent calendar year by completing and delivering to the Company a new written election no later than December 15 of the calendar year immediately preceding the calendar year to which the Participant Compensation relates.

(ii) Notwithstanding anything in this Section 9(g), no election will be permitted to be made during a Blackout Period or made or altered after December 31th of the calendar year immediately preceding the year in which the election is to be effective.

(iii) Any election made by a Participant under this Section 9(g) shall designate the percentage, if any, of the Participant Compensation that is to be satisfied in the form of Deferred Share Units, all such designations to be in increments of five percent (5%).

(iv) A Participant’s election received by the Company under this Section 9(g) shall be irrevocable and shall continue to apply with respect to his Participant Compensation for any subsequent calendar year unless the Participant amends his election under this Section 9(g).

(v) Where there is no election that complies with this Section 9(g) in effect for a Participant for a particular calendar year, such Participant shall be deemed to have elected to receive his Participant Compensation for the applicable calendar year in cash.

10. GRANTING OF AWARDS AND CONDITIONS ON EXERCISE OF OPTIONS AND WARRANTS AND ISSUANCE OF SHARES.

(a) Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. Except as provided in Section 10(f) regarding the grant of Awards pursuant to the Non-Employee Director Equity Compensation Policy, no Eligible Individual shall have any right to be granted an Award pursuant to the Plan.

(b) Award Agreement. Each Award shall be evidenced by an Award Agreement that sets forth the terms, conditions and limitations for such Award, which may include the term of the Award, the provisions applicable in the event of the Participant's termination of Continuous Status as an Employee, Director or Consultant, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award. Award Agreements evidencing Awards intended to qualify as Performance-Based Compensation shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

(c) Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

(d) No Right to Employment; Voluntary Participation. Neither this Plan nor any Awards shall confer on any Participant or other person: (i) any rights or claims under the Plan except in accordance with the provisions of the Plan and the applicable Program or Award Agreement; (ii) any right with respect to continuation of employment by the Company or any Subsidiary or engagement as a Consultant or Director, nor shall they interfere in any way with the right of the Company or any Subsidiary that employs or engages a Participant to terminate that person's employment or engagement at any time with or without cause; (iii) any right to be selected to participate in the Plan or to be granted an Award; or (iv) any right to receive any bonus, whether payable in cash or in Shares, or in any combination thereof, from the Company or its subsidiaries, nor be construed as limiting in any way the right of the Company or its subsidiaries to determine, in its sole discretion, whether or not it shall pay any employee or consultant bonus, and, if so paid, the amount thereof and the manner of such payment.

(e) Foreign Holders. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in countries other than Canada or the United States in which the Company and its Subsidiaries operate or have Employees, Non-Employee Directors or Consultants, or in order to comply with the requirements of any securities exchange outside Canada or the United States, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which Eligible Individuals outside Canada and the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to Eligible Individuals outside Canada and the United States to comply with applicable foreign laws or listing requirements of any such foreign securities exchange; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3 (a) and 3(b); and (v) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign securities exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate Applicable Law. For purposes of the Plan, all references to foreign laws, rules, regulations or taxes shall be references to the laws, rules, regulations and taxes of any applicable jurisdiction other than Canada and the United States or a political subdivision thereof.

(f) Non-Employee Director Awards. The Administrator, in its sole discretion, may provide that Awards granted to Non-Employee Directors shall be granted pursuant to a written nondiscretionary formula established by the Administrator (the “Non-Employee Director Equity Compensation Policy”), subject to the limitations of the Plan. The Non-Employee Director Equity Compensation Policy shall set forth the type of Award(s) to be granted to Non-Employee Directors, the number of Shares to be subject to Non-Employee Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Administrator shall determine in its sole discretion. The Non-Employee Director Equity Compensation Policy may be modified by the Administrator from time to time in its sole discretion.

(g) Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

(h) Payment. Subject to the provisions of any particular Award, the Administrator shall determine the methods by which payments by any Participant with respect to any Awards granted under the Plan shall be made, including, without limitation: (i) cash or check, (ii) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award, provided that Canadian Employee Participants shall not be entitled to pay the exercise price with any Shares issued pursuant to the exercise of an Option or Warrant in the preceding two year period) or Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (iii) delivery of a written or electronic notice that the Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; provided that payment of such proceeds is then made to the Company upon settlement of such sale, or (iv) other form of legal consideration acceptable to the Administrator in its sole discretion. The Administrator shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an “executive officer” of the Company within the meaning of either the OSA or Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a Subsidiary or a loan arranged by the Company or a Subsidiary in violation of Section 13(k) of the Exchange Act.

(i) Transferability of Awards.

(i) Except as otherwise provided in Section 10(i)(ii):

(A) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO or other order of a court of competent jurisdiction, unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed;

(B) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Participant or the Participant's successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by Section 10(i)(i)(A); and

(C) During the lifetime of the Participant, only the Participant may exercise an Award (or any portion thereof) granted to such Participant under the Plan, unless it has been disposed of pursuant to a DRO or other order of a court of competent jurisdiction; after the death of the Participant, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Program or Award Agreement, be exercised by the Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then-applicable laws of descent and distribution.

(ii) Notwithstanding Section 10(i)(i), a Participant may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Program or Award Agreement applicable to the Participant, except to the extent the Plan, the Program and the Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married, in a common law relationship, or a domestic partner in a domestic partnership qualified under Applicable Law and resides in a community property state, a designation of a person other than the Participant's spouse or domestic partner, as applicable, as the Participant's beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written or electronic consent of the Participant's spouse or domestic partner. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time; provided that the change or revocation is filed with the Administrator prior to the Participant's death. Notwithstanding any other provision of the Plan, the beneficiary of a Canadian Participant in respect of Deferred Share Units shall be a dependent or relation of the Canadian Participant or the legal representative of the Canadian Participant (within the meaning of the Tax Act).

(j) Conditions to Issuance of Shares.

(i) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Board or the Committee has determined, with advice of counsel, that the issuance of such Shares is in compliance with Applicable Law and the Shares are covered by, as applicable: (A) an effective registration statement or applicable exemption from registration pursuant to Applicable Securities Laws in the United States; and (B) an exemption from the prospectus requirements pursuant to Applicable Securities Laws in Canada. In addition to the terms and conditions provided herein, the Board or the Committee may require that a Participant make such reasonable covenants, agreements and representations as the Board or the Committee, in its sole discretion, deems advisable in order to comply with Applicable Law.

(ii) All share certificates delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with Applicable Law. The Administrator may place legends on any share certificate or book entry to reference restrictions applicable to the Shares.

(iii) The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(iv) No fractional Shares shall be issued and the Administrator, in its sole discretion, shall determine whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

(v) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by Applicable Law, the Company shall not deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, its transfer agent or plan administrator).

(k) Forfeiture and Claw-Back Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in an Award Agreement or otherwise, or to require a Participant to agree by separate written or electronic instrument, that:

(i) Any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of the Award, or upon the receipt or resale of any Shares underlying the Award, shall be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (x) a termination of Continuous Status as an Employee, Director or Consultant occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (y) the Participant at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (z) the Participant incurs a termination of Continuous Status as an Employee, Director or Consultant for “cause” (as such term is defined in the sole discretion of the Administrator, or as set forth in a written agreement relating to such Award between the Company and the Participant); and

(ii) All Awards (including any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of any Award or upon the receipt or resale of any Shares underlying the Award) 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 and/or in the applicable Award Agreement.

(l) Prohibition on Repricing. Subject to Section 13 and Section 15, the Administrator shall not, without the approval of the shareholders of the Company, (i) authorize the amendment of any outstanding Option or Warrant to reduce its exercise or purchase price per Share, or (ii) cancel any Option or Warrant in exchange for cash or another Award when the Option or Warrant exercise or purchase price per share exceeds the Fair Market Value of the underlying Shares. Subject to Section 13, the Administrator shall have the authority, without the approval of the shareholders of the Company, to amend any outstanding Award to increase the exercise or purchase price per Share or to cancel and replace an Award with the grant of an Award having an exercise or purchase price per share that is greater than or equal to the price per share of the original Award. Furthermore, for purposes of this Section 10(l), except in connection with a corporate transaction involving the Company (including, without limitation, any share dividend, share split, share consolidation, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise or purchase price per share of outstanding Options or Warrants or cancel outstanding Options or Warrants in exchange for cash, other Awards, Options or Warrants with an exercise or purchase price per share that is less than the exercise or purchase price per share of the original Options or Warrants without the approval of the Shareholders of the Company.

(m) Investment Representations. The Company may require any Participant, or any person to whom an Award is transferred, as a condition of exercising such Award, to (i) give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option or Warrant or receiving such Share, and (ii) to give written assurances satisfactory to the Company stating that such person is acquiring the Share for such person's own account and not with any present intention of selling or otherwise distributing the Share. The foregoing requirements, and any assurances given pursuant to such requirements, shall not apply if (1) the issuance of the Share has been registered under a then currently effective registration statement under the Securities Act, or (2) counsel for the Company determines as to any particular requirement that such requirement need not be met in the circumstances under Applicable Securities Laws. The Company may, with the advice of its counsel, place such legends on Share certificates issued under the Plan as the Company deems necessary or appropriate to comply with Applicable Securities Laws, including, but not limited to, legends restricting the transfer of the Share.

11. PROVISIONS APPLICABLE TO AWARDS INTENDED TO QUALIFY AS PERFORMANCE-BASED COMPENSATION FOR US PARTICIPANTS.

(a) Purpose. The Committee, in its sole discretion, may determine at the time an Award is granted or at any time thereafter whether such Award is intended to qualify as Performance-Based Compensation. If the Committee, in its sole discretion, decides to grant such an Award to an Eligible Individual that is intended to qualify as Performance-Based Compensation (other than an Option or Warrant), then the provisions of this Section 11 shall control over any contrary provision contained in the Plan. The Administrator, in its sole discretion, may grant Awards to other Eligible Individuals that are based on Performance Criteria or Performance Goals or any such other criteria and goals as the Administrator shall establish, but that do not satisfy the requirements of this Section 11 and that are not intended to qualify as Performance-Based Compensation. Unless otherwise specified by the Committee at the time of grant, the Performance Criteria with respect to an Award intended to be Performance-Based Compensation payable to a Covered Employee shall be determined on the basis of Applicable Accounting Standards.

(b) Applicability. The grant of an Award to an Eligible Individual for a particular Performance Period shall not require the grant of an Award to such Eligible Individual in any subsequent Performance Period and the grant of an Award to any one Eligible Individual shall not require the grant of an Award to any other Eligible Individual in such period or in any other period.

(c) Types of Awards. Notwithstanding anything in the Plan to the contrary, the Committee may grant any Award to an Eligible Individual intended to qualify as Performance-Based Compensation, including, without limitation, Restricted Shares the restrictions with respect to which lapse upon the attainment of specified Performance Goals, Restricted Share Units that vest and become payable upon the attainment of specified Performance Goals and any Performance Awards described in Section 12 that vest or become exercisable or payable upon the attainment of one or more specified Performance Goals; provided that such Awards granted to Canadian Participants shall also have the terms and conditions specified in the Plan.

(d) Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted to one or more Eligible Individuals which is intended to qualify as Performance-Based Compensation, no later than 90 days following the commencement of any Performance Period or any designated fiscal period or period of service (or such earlier time as may be required under Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Eligible Individuals, (ii) select the Performance Criteria applicable to the Performance Period, (iii) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period based on the Performance Criteria, and (iv) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether and the extent to which the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned under such Awards, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant, including the assessment of individual or corporate performance for the Performance Period.

(e) Payment of Performance-Based Awards. Unless otherwise provided in the applicable Program or Award Agreement and only to the extent otherwise permitted by Section 162(m) of the Code, as to an Award that is intended to qualify as Performance-Based Compensation, the US Participant must be employed by the Company or a Subsidiary throughout the Performance Period. Unless otherwise provided in the applicable Performance Goals, Program or Award Agreement, a Participant shall be eligible to receive payment pursuant to such Awards for a Performance Period only if and to the extent the Performance Goals for such period are achieved.

(f) Additional Limitations. Notwithstanding any other provision of the Plan and except as otherwise determined by the Administrator, any Award which is granted to an Eligible Individual and is intended to qualify as Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code or any regulations or rulings issued thereunder that are requirements for qualification as Performance-Based Compensation, and the Plan and the applicable Program and Award Agreement shall be deemed amended to the extent necessary to conform to such requirements.

12. AWARD OF PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, SHARE PAYMENTS.

(a) Performance Awards.

(i) The Administrator is authorized to grant Performance Awards, including Awards of Performance Share Units, to any Eligible Individual and to determine whether such Performance Awards shall be Performance-Based Compensation. The value of Performance Awards, including Performance Share Units, may be linked to any one or more of the Performance Criteria or other specific criteria determined by the Administrator, in each case on a specified date or dates or over any period or periods and in such amounts as may be determined by the Administrator. Performance Awards, including Performance Share Unit awards may be paid in cash, Shares, or a combination of cash and Shares, as determined by the Administrator. Performance Share Units granted to Canadian Employee Participants shall have terms and conditions necessary to ensure that such Performance Share Units comply, at all times, with the requirements of paragraph (k) or (l) of the exception to the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act or are governed by the provisions of section 7 of the Tax Act.

(ii) Without limiting Section 12(a)(i), the Administrator may grant Performance Awards to any Eligible Individual in the form of a cash bonus payable upon the attainment of objective Performance Goals, or such other criteria, whether or not objective, which are established by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Any such bonuses paid to a Participant which are intended to be Performance-Based Compensation shall be based upon objectively determinable bonus formulas established in accordance with the provisions of Section 11.

(b) Dividend Equivalents.

(i) Dividend Equivalents may be granted by the Administrator based on dividends declared on the Shares, to be credited as of dividend payment dates with respect to dividends with record dates that occur during the period between the date an Award is granted to a Participant and the date such Award vests, is exercised, is distributed or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional Shares by such formula and at such time and subject to such restrictions and limitations as may be determined by the Administrator. In addition, Dividend Equivalents with respect to an Award with performance-based vesting that are based on dividends paid prior to the vesting of such Award shall only be paid out to the Participant to the extent that the performance-based vesting conditions are subsequently satisfied and the Award vests.

(ii) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Warrants.

(iii) Dividend Equivalents, if any, granted to Canadian Participants shall be granted as a bonus for services rendered in the year of payment.

(c) Share Payments. The Administrator is authorized to make Share Payments to any Eligible Individual. The number or value of Shares of any Share Payment shall be determined by the Administrator and may be based upon one or more Performance Criteria or any other specific criteria, including service to the Company or any Subsidiary, determined by the Administrator. Shares underlying a Share Payment which is subject to a vesting schedule or other conditions or criteria set by the Administrator shall not be issued until those conditions have been satisfied. Unless otherwise provided by the Administrator, a Participant of a Share Payment shall have no rights as a Company Shareholder with respect to such Share Payment until such time as the Share Payment has vested and the Shares underlying the Award have been issued to the Participant. Share Payments may, but are not required to, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to such Eligible Individual.

(d) Term. Subject to the foregoing provisions of this Section 12, the term of a Performance Award, Dividend Equivalent award and/or a Share Payment award shall be established by the Administrator in its sole discretion.

(e) Purchase Price. The Administrator may establish the purchase price of a Performance Award or Shares distributed as a Share Payment award.

(f) Termination of Continuous Status as an Employee, Director or Consultant. A Performance Award, Share Payment award and/or a Dividend Equivalent award is distributable only while the Participant is an Employee, Director or Consultant, as applicable. The Administrator, however, in its sole discretion, may provide that the Performance Award, Dividend Equivalent award and/or Share Payment award may be distributed subsequent to a termination of Continuous Status as an Employee, Director or Consultant in certain events, including a Change in Control, the Participant's death, retirement or Disability or any other specified termination of Continuous Status as an Employee, Director or Consultant.

13. ADJUSTMENTS ON CERTAIN EVENTS.

(a) In the event of any share dividend, share split, share consolidation, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to Shareholders, or any other change affecting the Shares or price of the Shares other than an Equity Restructuring, the Administrator may make equitable adjustments, if any, to reflect such change with respect to: (i) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3(a) and 3(b) on the maximum number and kind of shares which may be issued under the Plan, and adjustments of the Award Limit); (ii) the number and kind of shares (or other securities or property) subject to outstanding Awards; (iii) the number and kind of shares (or other securities or property) that may be issued by a single officer under the Plan; (iv) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (v) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code. Any adjustment to an Option granted to a Canadian Employee Participant shall be made consistent with the requirements of subsection 7(1.4) of the Tax Act.

(b) In the event of any transaction or event described in Section 13(a) or any unusual or nonrecurring transactions or events affecting the Company, any Subsidiary of the Company, or the financial statements of the Company or any Subsidiary, or of changes in Applicable Law or accounting principles, the Administrator, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 13 the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator, in its sole discretion, having an aggregate value not exceeding the amount that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the shares of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of the Company (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Shares and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards and Awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Program or Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Section 13(a) and 13(b):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, shall be equitably adjusted; and/or

(ii) The Administrator shall make such equitable adjustments, if any, as the Administrator, in its sole discretion, may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3(a) and 3(b) on the maximum number and kind of shares which may be issued under the Plan, and adjustments of the Award Limit). The adjustments provided under this Section 13(c) shall be nondiscretionary and shall be final and binding on the affected Participant and the Company.

(d) The Administrator, in its sole discretion, may include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.

(e) With respect to Awards which are granted to Covered Employees and are intended to qualify as Performance-Based Compensation, no adjustment or action described in this Section 13 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as Performance-Based Compensation, unless the Administrator determines that the Award should not so qualify. No adjustment or action described in this Section 13 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 of the Exchange Act or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

(f) The existence of the Plan, the Program, the Award Agreement and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of shares or of options, warrants or rights to purchase shares or of bonds, debentures, preferred or prior preference shares whose rights are superior to or affect the Shares or the rights thereof or which are convertible into or exchangeable for Shares, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(g) No action shall be taken under this Section 13 which shall cause an Award granted to a US Participant to fail to be exempt from or comply with Section 409A of the Code or the Treasury Regulations thereunder. No action shall be taken under this Section 13 which shall cause any Option granted to a Canadian Employee Participant to fail to be governed by the provisions of section 7 of the Tax Act or which shall cause any Restricted Share Unit or Performance Share Unit granted to a Canadian Employee Participant to cease to qualify with the requirements for the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act or which shall cause any Deferred Share Unit to cease to qualify with the requirements for the exception in Regulation 6801(d) and paragraph (l) of the definition of "salary deferral arrangement" in subsection 248(l) of the Tax Act.

(h) In the event of any pending share dividend, share split, share consolidation, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting the Shares or the price of the Shares including any Equity Restructuring, for reasons of administrative convenience, the Administrator, in its sole discretion, may refuse to permit the exercise of any Award during a period of up to thirty (30) days prior to the consummation of any such transaction.

(i) No Effect on Powers of Board or Shareholders. The existence of the Plan and any Awards granted hereunder shall not affect in any way the right or power of the Board or the Shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Company or any of its subsidiaries, any merger or consolidation of the Company or a subsidiary of the Company, any issue of debt, preferred or prior preference Share ahead of or affecting Share, the authorization or issuance of additional Shares, the dissolution or liquidation of the Company or its subsidiaries, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.

(j) Fractional Shares. All calculations under this Section 13 shall be, in the case of exercise price, rounded up to the nearest cent or, in the case of shares, rounded down to the nearest one-hundredth of a share, but in no event shall the Company be obligated to issue any fractional share.

(k) Uniformity of Actions Not Required. Any actions or determinations by the Board under this Section 13 need not be uniform as to all outstanding Awards, and need not treat all Participants identically.

14. TAX WITHHOLDING OBLIGATIONS.

(a) Tax Withholding. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company or Subsidiary, an amount sufficient to satisfy federal, provincial, state, local and foreign taxes (including the Participant's FICA, Canada Pension Plan contributions, employment tax, Employment Insurance (Canada) premiums, or other social security contribution obligation) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of the Plan. The Administrator, in its sole discretion and in satisfaction of the foregoing requirement, may withhold, or allow a Participant to elect to have the Company withhold, Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a fair market value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, provincial, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator shall determine the fair market value of the Shares, consistent with applicable provisions of the Plan, the Code and the Tax Act, for tax withholding obligations due in connection with a broker-assisted cashless Option or Warrant exercise involving the sale of Shares to pay the Option or Warrant exercise price or any tax withholding obligation.

15. AMENDMENT, TERMINATION OR SUSPENSION OF THE PLAN.

(a) Amendment, Termination or Suspension of Plan. Except as otherwise provided in Section 15(b), the Plan or any Award may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee, including, without limitation, for any of the following types of amendments or modifications:

(i) amendments for the purpose of curing any ambiguity, error or omission in the Plan or Award or to correct or supplement any provision of the Plan or Award that is inconsistent with any other provision of the Plan or Award;

(ii) amendments necessary to comply with Applicable Law or the requirements of any stock exchange on which the Shares are listed;

- (iii) amendments to the Plan respecting administration of the Plan;
- (iv) amendments of a “housekeeping” nature;
- (v) changes to the terms and conditions on which Awards may be or have been granted pursuant to the Plan;
- (vi) amendments to the treatment of Awards on ceasing Continuous Status as an Employee, Director or Consultant;
- (vii) a change to the termination provisions of Awards which does not entail an extension beyond the original expiry date;
- (viii) any amendment to give effect to Section 13;
- (ix) any amendment to ensure that Awards granted under the Plan will comply with any provisions of the Code or the Tax Act respecting employee security based compensation arrangements; and
- (x) any amendment to an Award that is not exercisable into, settled with, or involve the issuance of, Shares.

(b) Without approval of the Company’s Shareholders, no action of the Administrator, or amendment or modification of the Plan may:

- (i) increase the limits imposed in Section 3(a) on the maximum number of Shares which may be issued under the Plan,
- (ii) reduce the price per share of any outstanding Option or Warrant granted under the Plan, reduce any purchase price for any other Award as set at the time of grant, or take any action prohibited under Section 10(l),
- (iii) extend the term of any Award;
- (iv) make any amendment to remove or exceed the Insider and Non-Employee Director Participation Limits;
- (v) cancel any Option or Warrant in exchange for cash or another Award when the Option or Warrant price per share exceeds the Fair Market Value of the underlying Share;
- (vi) make any amendment which would permit Awards granted under the Plan to be transferable or assignable other than for normal estate settlement purposes or as otherwise permitted in Section 10(i); or
- (vii) amend Section 15(a) or Section 15(b).

(c) Amendment of Awards. Subject to compliance with the rules of any stock exchange on which the Shares are listed, the Board may amend the terms of any Award previously granted, including any Award Agreement, retroactively or prospectively, but no such amendment shall materially impair the previously accrued rights of any Participant with respect to any such Award without his or her written consent. Except as provided in Section 10(k) and Section 18(h), no amendment, suspension or termination of the Plan shall, without the consent of the Participant, impair any rights or obligations under any Award theretofore granted or awarded, unless the Award itself otherwise expressly so provides.

16. COMPLIANCE WITH APPLICABLE SECURITIES LAWS

(a) Compliance with Section 16 of the Exchange Act. So long as a class of the Company's equity securities is registered under Section 12 of the Exchange Act, the Company intends that the Plan shall comply in all respects with Rule 16b-3 with respect to US Participants. If during such time any provision of this Plan concerning US Participants is found not to be in compliance with Rule 16b-3, that provision shall be deemed to have been amended or deleted as and to the extent necessary to comply with Rule 16b-3, and the remaining provisions of the Plan shall continue in full force and effect without change. All transactions under the Plan with respect to US Participants during such time shall be executed in accordance with the requirements of Section 16 of the Exchange Act and the applicable regulations promulgated thereunder.

(b) The obligation of the Company to issue and deliver Shares pursuant to Awards in accordance with the terms and conditions of the Plan is subject to Applicable Securities Laws and to the receipt of any approvals that may be required from any stock exchange on which the Shares are listed. If Shares cannot be issued pursuant to an Award for any reason whatsoever, the obligation of the Company to issue such Shares shall terminate and any monies paid to the Company in connection with the exercise of the Option will be returned to the Participant as soon as practicable.

17. LIMITATION OF LIABILITY AND INDEMNIFICATION.

(a) Contractual Liability Limitation. Any liability of the Company or its subsidiaries to any Participant with respect to any Award shall be based solely on contractual obligations created by the Plan and the Award Agreements outstanding thereunder.

(b) Indemnification. In addition to such other rights of indemnification as they may have as Directors or officers, Directors and officers to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

18. MISCELLANEOUS

(a) No Shareholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a Shareholder with respect to Shares covered by any Award until the Participant becomes the record owner of such Shares.

(b) Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Participant may be permitted through the use of such an automated system.

(c) Acceptance of Terms and Conditions of Plan. By accepting any benefit under the Plan, each Participant and each person claiming under or through such Participant shall be conclusively deemed to have indicated their acceptance and ratification of, and consent to, all of the terms and conditions of the Plan and any action taken under the Plan by the Company, the Board or the Committee, in any case in accordance with the terms and conditions of the Plan.

(d) No Effect on Other Arrangements. Neither the adoption of the Plan nor anything contained herein shall affect any other compensation or incentive plans or arrangements of the Company or its subsidiaries, or prevent or limit the right of the Company or any subsidiary to establish any other forms of incentives or compensation for their Employees, Directors or Consultants or grant or assume restricted Share or other rights otherwise than under the Plan. Nothing in the Plan shall be construed to limit the right of the Company or any Subsidiary: (i) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary, or (ii) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, shares or assets of any corporation, partnership, limited liability company, firm or association.

(e) Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all Applicable Law (including but not limited to Applicable Securities Laws and margin requirements), the rules of any stock exchange on which the Shares are listed, and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all Applicable Law. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to Applicable Law.

(f) Governing Law. 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 Plan concerning the Code, which shall be governed by and construed in accordance with the laws of the State of Delaware as superceded by applicable United States federal law.

(g) Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Program pursuant to which such Award is granted and the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan, the Program and any Award Agreements shall be interpreted in accordance with Section 409A of the Code and 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 Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Program and Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

(h) No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Participants or any other persons uniformly.

(i) Unfunded Status of Awards. The Plan is intended to be an “unfunded” plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Program or Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

(j) Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

(k) Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

(l) Blackout Periods. If the date under any Award on which: (i) cash is to be issued in settlement of the Award, or (ii) Performance Criteria are to be evaluated by the Company, occurs during a Blackout Period or within three business days of the expiry of a Blackout Period applicable to the relevant Participant, then, subject to Section 8(b)(ii) in respect of Restricted Share Units and 9(i) in respect of Deferred Share Units, the settlement date or evaluation date, as applicable, shall be deemed to be the 10th business day after expiry of the Blackout Period, or such earlier date following the expiry of the Blackout Period as determined by the Administrator. Where a Blackout Period is continuing as of December 15th of the third year following the RSU Service Year in respect of Restricted Share Units or as of December 15th of the calendar year following the Triggering Event in respect of Deferred Share Units, the Restricted Share Units or Deferred Share Units, as the case may be, shall be paid out automatically on such December 15th date. Notwithstanding the foregoing, Shares may be issued in settlement of, or upon exercise of, an Award during a Blackout Period, provided that such Shares are subject to restrictions on trading in accordance with the Company’s blackout policy.

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: July 26, 2017

/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: July 26, 2017

/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 June 30, 2017 (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: July 26, 2017

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 June 30, 2017 (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: July 26, 2017

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.
