

**These financial statements for Waste Connections, Inc. are also included in the Form 10-Q for the quarterly period ended March 31, 2020 filed on SEDAR on May 7, 2020 in its entirety.**

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)

|                                                                                                                                                                                  | March 31,<br>2020    | December 31,<br>2019 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                    |                      |                      |
| Current assets:                                                                                                                                                                  |                      |                      |
| Cash and equivalents                                                                                                                                                             | \$ 1,195,279         | \$ 326,738           |
| Accounts receivable, net of allowance for credit losses of \$15,172 and \$16,432 at March 31, 2020 and December 31, 2019, respectively                                           | 624,389              | 662,808              |
| Prepaid expenses and other current assets                                                                                                                                        | 142,553              | 141,052              |
| Total current assets                                                                                                                                                             | 1,962,221            | 1,130,598            |
| Restricted cash                                                                                                                                                                  | 88,927               | 96,483               |
| Restricted investments                                                                                                                                                           | 45,856               | 51,179               |
| Property and equipment, net                                                                                                                                                      | 5,415,989            | 5,516,347            |
| Operating lease right-of-use assets                                                                                                                                              | 176,772              | 183,220              |
| Goodwill                                                                                                                                                                         | 5,385,841            | 5,510,851            |
| Intangible assets, net                                                                                                                                                           | 1,120,197            | 1,163,063            |
| Other assets, net                                                                                                                                                                | 83,608               | 85,954               |
| Total assets                                                                                                                                                                     | <u>\$ 14,279,411</u> | <u>\$ 13,737,695</u> |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                    |                      |                      |
| Current liabilities:                                                                                                                                                             |                      |                      |
| Accounts payable                                                                                                                                                                 | \$ 398,523           | \$ 436,970           |
| Book overdraft                                                                                                                                                                   | 12,105               | 15,954               |
| Accrued liabilities                                                                                                                                                              | 297,266              | 280,808              |
| Current portion of operating lease liabilities                                                                                                                                   | 29,741               | 29,929               |
| Current portion of contingent consideration                                                                                                                                      | 37,549               | 26,659               |
| Deferred revenue                                                                                                                                                                 | 210,668              | 216,443              |
| Current portion of long-term debt and notes payable                                                                                                                              | 4,318                | 465                  |
| Total current liabilities                                                                                                                                                        | 990,170              | 1,007,228            |
| Long-term portion of debt and notes payable                                                                                                                                      | 5,160,735            | 4,353,782            |
| Long-term portion of operating lease liabilities                                                                                                                                 | 153,640              | 160,033              |
| Long-term portion of contingent consideration                                                                                                                                    | 30,050               | 42,825               |
| Deferred income taxes                                                                                                                                                            | 817,331              | 818,622              |
| Other long-term liabilities                                                                                                                                                      | 440,399              | 416,851              |
| Total liabilities                                                                                                                                                                | 7,592,325            | 6,799,341            |
| Commitments and contingencies (Note 18)                                                                                                                                          |                      |                      |
| Equity:                                                                                                                                                                          |                      |                      |
| Common shares: 262,878,701 shares issued and 262,804,517 shares outstanding at March 31, 2020; 263,699,675 shares issued and 263,618,161 shares outstanding at December 31, 2019 | 4,030,368            | 4,135,343            |
| Additional paid-in capital                                                                                                                                                       | 141,438              | 154,917              |
| Accumulated other comprehensive loss                                                                                                                                             | (238,652)            | (10,963)             |
| Treasury shares: 74,184 and 81,514 shares at March 31, 2020 and December 31, 2019, respectively                                                                                  | —                    | —                    |
| Retained earnings                                                                                                                                                                | 2,749,224            | 2,654,207            |
| Total Waste Connections' equity                                                                                                                                                  | 6,682,378            | 6,933,504            |
| Noncontrolling interest in subsidiaries                                                                                                                                          | 4,708                | 4,850                |
| Total equity                                                                                                                                                                     | 6,687,086            | 6,938,354            |
|                                                                                                                                                                                  | <u>\$ 14,279,411</u> | <u>\$ 13,737,695</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)

|                                                                                   | <b>Three Months Ended March 31,</b> |              |
|-----------------------------------------------------------------------------------|-------------------------------------|--------------|
|                                                                                   | <b>2020</b>                         | <b>2019</b>  |
| Revenues                                                                          | \$ 1,352,404                        | \$ 1,244,637 |
| Operating expenses:                                                               |                                     |              |
| Cost of operations                                                                | 815,424                             | 733,690      |
| Selling, general and administrative                                               | 136,052                             | 132,586      |
| Depreciation                                                                      | 150,821                             | 146,847      |
| Amortization of intangibles                                                       | 31,638                              | 30,542       |
| Impairments and other operating items                                             | 1,506                               | 16,112       |
| Operating income                                                                  | 216,963                             | 184,860      |
| Interest expense                                                                  | (37,990)                            | (37,287)     |
| Interest income                                                                   | 2,175                               | 3,311        |
| Other income (expense), net                                                       | (9,521)                             | 2,661        |
| Income before income tax provision                                                | 171,627                             | 153,545      |
| Income tax provision                                                              | (28,734)                            | (27,968)     |
| Net income                                                                        | 142,893                             | 125,577      |
| Plus: Net loss attributable to noncontrolling interests                           | 142                                 | 45           |
| Net income attributable to Waste Connections                                      | \$ 143,035                          | \$ 125,622   |
| Earnings per common share attributable to Waste Connections' common shareholders: |                                     |              |
| Basic                                                                             | \$ 0.54                             | \$ 0.48      |
| Diluted                                                                           | \$ 0.54                             | \$ 0.48      |
| Shares used in the per share calculations:                                        |                                     |              |
| Basic                                                                             | 263,790,364                         | 263,603,418  |
| Diluted                                                                           | 264,353,158                         | 264,336,930  |
| Cash dividends per common share                                                   | \$ 0.185                            | \$ 0.160     |

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

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

|                                                                          | <u>Three Months Ended March 31,</u> |                   |
|--------------------------------------------------------------------------|-------------------------------------|-------------------|
|                                                                          | <u>2020</u>                         | <u>2019</u>       |
| Net income                                                               | \$ 142,893                          | \$ 125,577        |
| Other comprehensive income (loss), before tax:                           |                                     |                   |
| Interest rate swap amounts reclassified into interest expense            | (440)                               | (2,472)           |
| Changes in fair value of interest rate swaps                             | (58,026)                            | (15,721)          |
| Foreign currency translation adjustment                                  | (184,717)                           | 42,180            |
| Other comprehensive income (loss), before tax                            | (243,183)                           | 23,987            |
| Income tax benefit related to items of other comprehensive income (loss) | 15,494                              | 4,821             |
| Other comprehensive income (loss), net of tax                            | (227,689)                           | 28,808            |
| Comprehensive income (loss)                                              | (84,796)                            | 154,385           |
| Plus: Comprehensive loss attributable to noncontrolling interests        | 142                                 | 45                |
| Comprehensive income (loss) attributable to Waste Connections            | <u>\$ (84,654)</u>                  | <u>\$ 154,430</u> |

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

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

|                                                                                                              | WASTE CONNECTIONS' EQUITY |                     |                                  |                                               |                 |             |                      |                             |                     |
|--------------------------------------------------------------------------------------------------------------|---------------------------|---------------------|----------------------------------|-----------------------------------------------|-----------------|-------------|----------------------|-----------------------------|---------------------|
|                                                                                                              | COMMON SHARES             |                     | ADDITIONAL<br>PAID-IN<br>CAPITAL | ACCUMULATED<br>OTHER<br>COMPREHENSIVE<br>LOSS | TREASURY SHARES |             | RETAINED<br>EARNINGS | NONCONTROLLING<br>INTERESTS | TOTAL               |
|                                                                                                              | SHARES                    | AMOUNT              |                                  |                                               | SHARES          | AMOUNT      |                      |                             |                     |
| <b>Balances at December 31, 2019</b>                                                                         | 263,618,161               | \$ 4,135,343        | \$ 154,917                       | \$ (10,963)                                   | 81,514          | \$ —        | \$ 2,654,207         | \$ 4,850                    | \$ 6,938,354        |
| Sale of common shares held in trust                                                                          | 7,330                     | 679                 | —                                | —                                             | (7,330)         | —           | —                    | —                           | 679                 |
| Vesting of restricted share units                                                                            | 366,603                   | —                   | —                                | —                                             | —               | —           | —                    | —                           | —                   |
| Vesting of performance-based restricted share units                                                          | 281,186                   | —                   | —                                | —                                             | —               | —           | —                    | —                           | —                   |
| Restricted share units released from deferred compensation plan                                              | 20,229                    | —                   | —                                | —                                             | —               | —           | —                    | —                           | —                   |
| Fair value adjustment for common shares in deferred compensation plan exchanged for other investment options | —                         | —                   | (533)                            | —                                             | —               | —           | —                    | —                           | (533)               |
| Tax withholdings related to net share settlements of equity-based compensation                               | (226,766)                 | —                   | (23,090)                         | —                                             | —               | —           | —                    | —                           | (23,090)            |
| Equity-based compensation                                                                                    | —                         | —                   | 10,144                           | —                                             | —               | —           | —                    | —                           | 10,144              |
| Exercise of warrants                                                                                         | 9,751                     | —                   | —                                | —                                             | —               | —           | —                    | —                           | —                   |
| Repurchase of common shares                                                                                  | (1,271,977)               | (105,654)           | —                                | —                                             | —               | —           | —                    | —                           | (105,654)           |
| Cash dividends on common shares                                                                              | —                         | —                   | —                                | —                                             | —               | —           | (48,018)             | —                           | (48,018)            |
| Amounts reclassified into earnings, net of taxes                                                             | —                         | —                   | —                                | (323)                                         | —               | —           | —                    | —                           | (323)               |
| Changes in fair value of cash flow hedges, net of taxes                                                      | —                         | —                   | —                                | (42,649)                                      | —               | —           | —                    | —                           | (42,649)            |
| Foreign currency translation adjustment                                                                      | —                         | —                   | —                                | (184,717)                                     | —               | —           | —                    | —                           | (184,717)           |
| Net income (loss)                                                                                            | —                         | —                   | —                                | —                                             | —               | —           | 143,035              | (142)                       | 142,893             |
| <b>Balances at March 31, 2020</b>                                                                            | <u>262,804,517</u>        | <u>\$ 4,030,368</u> | <u>\$ 141,438</u>                | <u>\$ (238,652)</u>                           | <u>74,184</u>   | <u>\$ —</u> | <u>\$ 2,749,224</u>  | <u>\$ 4,708</u>             | <u>\$ 6,687,086</u> |

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

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

**WASTE CONNECTIONS' EQUITY**

|                                                                                | COMMON SHARES      |                     | ADDITIONAL<br>PAID-IN<br>CAPITAL | ACCUMULATED<br>OTHER<br>COMPREHENSIVE<br>INCOME (LOSS) | TREASURY SHARES |             | RETAINED<br>EARNINGS | NONCONTROLLING<br>INTERESTS | TOTAL               |
|--------------------------------------------------------------------------------|--------------------|---------------------|----------------------------------|--------------------------------------------------------|-----------------|-------------|----------------------|-----------------------------|---------------------|
|                                                                                | SHARES             | AMOUNT              |                                  |                                                        | SHARES          | AMOUNT      |                      |                             |                     |
| <b>Balances at December 31, 2018</b>                                           | 263,141,413        | \$ 4,131,307        | \$ 133,577                       | \$ (74,786)                                            | 129,889         | \$ —        | \$ 2,264,510         | \$ 5,580                    | \$ 6,460,188        |
| Sale of common shares held in trust                                            | 43,637             | 3,610               | —                                | —                                                      | (43,637)        | —           | —                    | —                           | 3,610               |
| Vesting of restricted share units                                              | 400,555            | —                   | —                                | —                                                      | —               | —           | —                    | —                           | —                   |
| Vesting of performance-based restricted share units                            | 180,258            | —                   | —                                | —                                                      | —               | —           | —                    | —                           | —                   |
| Restricted share units released from deferred compensation plan                | 15,371             | —                   | —                                | —                                                      | —               | —           | —                    | —                           | —                   |
| Tax withholdings related to net share settlements of equity-based compensation | (202,679)          | —                   | (16,973)                         | —                                                      | —               | —           | —                    | —                           | (16,973)            |
| Equity-based compensation                                                      | —                  | —                   | 11,626                           | —                                                      | —               | —           | —                    | —                           | 11,626              |
| Exercise of warrants                                                           | 8,690              | —                   | —                                | —                                                      | —               | —           | —                    | —                           | —                   |
| Cash dividends on common shares                                                | —                  | —                   | —                                | —                                                      | —               | —           | (42,084)             | —                           | (42,084)            |
| Amounts reclassified into earnings, net of taxes                               | —                  | —                   | —                                | (1,817)                                                | —               | —           | —                    | —                           | (1,817)             |
| Changes in fair value of cash flow hedges, net of taxes                        | —                  | —                   | —                                | (11,555)                                               | —               | —           | —                    | —                           | (11,555)            |
| Foreign currency translation adjustment                                        | —                  | —                   | —                                | 42,180                                                 | —               | —           | —                    | —                           | 42,180              |
| Cumulative effect adjustment from adoption of new accounting pronouncement     | —                  | —                   | —                                | —                                                      | —               | —           | (2,078)              | —                           | (2,078)             |
| Net income (loss)                                                              | —                  | —                   | —                                | —                                                      | —               | —           | 125,622              | (45)                        | 125,577             |
| <b>Balances at March 31, 2019</b>                                              | <u>263,587,245</u> | <u>\$ 4,134,917</u> | <u>\$ 128,230</u>                | <u>\$ (45,978)</u>                                     | <u>86,252</u>   | <u>\$ —</u> | <u>\$ 2,345,970</u>  | <u>\$ 5,535</u>             | <u>\$ 6,568,674</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)

|                                                                                   | <b>Three Months Ended March 31,</b> |                   |
|-----------------------------------------------------------------------------------|-------------------------------------|-------------------|
|                                                                                   | <b>2020</b>                         | <b>2019</b>       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                     |                   |
| Net income                                                                        | \$ 142,893                          | \$ 125,577        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |                   |
| Loss on disposal of assets and impairments                                        | 135                                 | 16,372            |
| Depreciation                                                                      | 150,821                             | 146,847           |
| Amortization of intangibles                                                       | 31,638                              | 30,542            |
| Amortization of leases                                                            | 5,353                               | 7,214             |
| Deferred income taxes, net of acquisitions                                        | 23,259                              | 10,126            |
| Amortization of debt issuance costs                                               | 3,420                               | 1,148             |
| Share-based compensation                                                          | 13,046                              | 15,168            |
| Interest accretion                                                                | 4,352                               | 3,972             |
| Adjustments to contingent consideration                                           | —                                   | 1,466             |
| Other                                                                             | 2,308                               | (145)             |
| Net change in operating assets and liabilities, net of acquisitions               | (7,639)                             | 5,485             |
| Net cash provided by operating activities                                         | <u>369,586</u>                      | <u>363,772</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                                     |                   |
| Payments for acquisitions, net of cash acquired                                   | (5,943)                             | (14,920)          |
| Capital expenditures for property and equipment                                   | (137,781)                           | (114,238)         |
| Proceeds from disposal of assets                                                  | 3,499                               | 639               |
| Change in restricted investments, net of interest income                          | 4,348                               | —                 |
| Other                                                                             | 2,251                               | 473               |
| Net cash used in investing activities                                             | <u>(133,626)</u>                    | <u>(128,046)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                                     |                   |
| Proceeds from long-term debt                                                      | 1,790,625                           | 55,354            |
| Principal payments on notes payable and long-term debt                            | (970,393)                           | (52,051)          |
| Payment of contingent consideration recorded at acquisition date                  | (1,976)                             | (275)             |
| Change in book overdraft                                                          | (3,848)                             | (2,784)           |
| Payments for repurchase of common shares                                          | (105,654)                           | —                 |
| Payments for cash dividends                                                       | (48,018)                            | (42,084)          |
| Tax withholdings related to net share settlements of equity-based compensation    | (23,090)                            | (16,973)          |
| Debt issuance costs                                                               | (10,936)                            | —                 |
| Proceeds from sale of common shares held in trust                                 | 679                                 | 3,610             |
| Net cash provided by (used in) financing activities                               | <u>627,389</u>                      | <u>(55,203)</u>   |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash     | <u>(2,364)</u>                      | <u>193</u>        |
| Net increase in cash, cash equivalents and restricted cash                        | 860,985                             | 180,716           |
| Cash, cash equivalents and restricted cash at beginning of period                 | 423,221                             | 403,966           |
| Cash, cash equivalents and restricted cash at end of period                       | <u>\$ 1,284,206</u>                 | <u>\$ 584,682</u> |

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**

The accompanying condensed consolidated financial statements relate to Waste Connections, Inc. and its subsidiaries (the “Company”) for the three month periods ended March 31, 2020 and 2019. 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, 2019.

**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.

**3. NEW ACCOUNTING STANDARDS**

*Accounting Standards Adopted*

Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. In June 2016, the Financial Accounting Standards Board, (“FASB”) issued guidance which introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables, which will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. The standard became effective for public business entities that are U.S. Securities and Exchange Commission (“SEC”) filers for annual periods beginning after December 15, 2019 and interim periods within those years. The Company adopted the new standard on January 1, 2020. The adoption of the new standard did not have a material impact on the Company’s condensed consolidated financial statements as current processes for estimating expected credit losses for trade receivables align with the expected credit loss model. See Note 6 for additional information and disclosures related to the adoption of this new standard.



WASTE CONNECTIONS, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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GALLON AMOUNTS)

*Accounting Standards Pending Adoption*

Income Taxes – Simplifying the Accounting for Income Taxes. In December 2019, the FASB issued guidance that simplifies the accounting for income taxes as part of its overall initiative to reduce complexity in applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The amendments include removal of certain exceptions to the general principles of income taxes, and simplification in several other areas such as accounting for a franchise tax that is partially based on income. The standard will be effective for public business entities that are SEC filers for annual periods beginning after December 15, 2020, and interim periods within those reporting periods. Early adoption is permitted. The Company has not yet assessed the potential impact of implementing this new guidance on its condensed consolidated financial statements.

Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In March 2020, the FASB issued guidance to provide temporary optional expedients and exceptions to the guidance in GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (“SOFR”). Under the new guidance, entities can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Under the guidance, entities can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met.

The guidance is effective upon issuance. The guidance on contract modifications is applied prospectively from any date beginning March 12, 2020. It may also be applied to modifications of existing contracts made earlier in the interim period that includes the effective date. The guidance on hedging is applied to eligible hedging relationships existing as of the beginning of the interim period that includes the effective date and to new eligible hedging relationships entered into after the beginning of that interim period. The relief is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. However, certain optional expedients can be applied to hedging relationships evaluated in periods after December 31, 2022. The Company is currently assessing the potential impact of implementing this new guidance on its condensed consolidated financial statements.

#### **4. IMPAIRMENTS OF PROPERTY, EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS**

Property, equipment and finite-lived intangible assets are carried on the Company’s consolidated financial statements based on their cost less accumulated depreciation or amortization. Finite-lived intangible assets consist of long-term franchise agreements, contracts, customer lists, permits and other agreements. The recoverability of these assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Typical indicators that an asset may be impaired include, but are not limited to, the following:

- a significant adverse change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- a more likely than not expectation that a segment or a significant portion thereof will be sold;
- the testing for recoverability of a significant asset group within a segment; or
- current period or expected future operating cash flow losses.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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GALLON AMOUNTS)

If any of these or other indicators occur, a test of recoverability is performed by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. If the carrying value is in excess of the undiscounted expected future cash flows, impairment is measured by comparing the fair value of the asset to its carrying value. Fair value is determined by an internally developed discounted projected cash flow analysis of the asset. Cash flow projections are sometimes based on a group of assets, rather than a single asset. If cash flows cannot be separately and independently identified for a single asset, the Company will determine whether an impairment has occurred for the group of assets for which the projected cash flows can be identified. If the fair value of an asset is determined to be less than the carrying amount of the asset or asset group, an impairment in the amount of the difference is recorded in the period that the impairment indicator occurs. Several impairment indicators are beyond the Company's control, and whether or not they will occur cannot be predicted with any certainty. Estimating future cash flows requires significant judgment and projections may vary from cash flows eventually realized. There are other considerations for impairments of landfills, as described below.

There are certain indicators listed above that require significant judgment and understanding of the waste industry when applied to landfill development or expansion projects. A regulator or court may deny or overturn a landfill development or landfill expansion permit application before the development or expansion permit is ultimately granted. Management may periodically divert waste from one landfill to another to conserve remaining permitted landfill airspace. Therefore, certain events could occur in the ordinary course of business and not necessarily be considered indicators of impairment due to the unique nature of the waste industry.

Goodwill and indefinite-lived intangible assets are tested for impairment on at least an annual basis in the fourth quarter of the year. In addition, the Company evaluates its reporting units for impairment if events or circumstances similar to the indicators listed above change between annual tests indicating a possible impairment.

The Company estimates the fair value of each of its reporting units, which consist of its five geographic solid waste operating segments and its E&P segment, using discounted cash flow analyses. The Company compares the fair value of each reporting unit 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. In testing indefinite-lived intangible assets for impairment, the Company compares the estimated fair value of each indefinite-lived intangible asset to its carrying value. If the fair value of the indefinite-lived intangible asset is less than its carrying value, an impairment charge would be recorded to earnings in the Company's Condensed Consolidated Statements of Net Income.

The Company determines the fair value of each of its five geographic solid waste operating segments and each indefinite-lived intangible asset within those segments using discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit and the future discrete cash flows related to each indefinite-lived intangible asset. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates.

The demand for the Company's 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. More recently, the value of crude oil has declined precipitously and currently remains at historic low levels. To the extent that oil prices remain depressed, this could lead to declines in the level of production activity and demand for the Company's E&P waste services. To the extent that the outlook for future oil prices and resulting demand for the Company's E&P waste services does not show improvement, this could result in the recognition of impairment charges on its intangible assets and property and equipment associated with the E&P segment. At March 31, 2020, the Company's E&P segment had \$832,739 of property and equipment and \$59,600 of non-goodwill intangible assets. The Company's operations in the Williston

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Basin have experienced a higher proportion of decline in demand due to the higher cost of exploration and production in that area. At March 31, 2020, the E&P segment's operations in the Williston Basin had \$376,122 of property equipment and \$2,430 of non-goodwill intangible assets. The Company estimates that any future impairment charge associated with its Williston Basin operations could result in a write down of approximately 90% to 95% of the carrying value on the property and equipment and intangible assets.

## 5. REVENUE

The Company's operations primarily consist of providing non-hazardous waste collection, transfer, disposal and recycling services, non-hazardous exploration and production ("E&P") waste treatment, recovery and disposal services, and intermodal services. The following table disaggregates the Company's revenues by service line for the periods indicated:

|                                      | <b>Three Months Ended March 31,</b> |                     |
|--------------------------------------|-------------------------------------|---------------------|
|                                      | <b>2020</b>                         | <b>2019</b>         |
| Commercial                           | \$ 416,507                          | \$ 381,509          |
| Residential                          | 365,731                             | 322,404             |
| Industrial and construction roll off | 206,771                             | 187,440             |
| Total collection                     | 989,009                             | 891,353             |
| Landfill                             | 266,218                             | 244,601             |
| Transfer                             | 180,765                             | 161,191             |
| Recycling                            | 18,108                              | 19,804              |
| E&P                                  | 65,377                              | 66,830              |
| Intermodal and other                 | 30,018                              | 32,837              |
| Intercompany                         | (197,091)                           | (171,979)           |
| Total                                | <u>\$ 1,352,404</u>                 | <u>\$ 1,244,637</u> |

The factors that impact the timing and amount of revenue recognized for each service line may vary based on the nature of the service performed. Generally, the Company recognizes revenue at the time it performs a service. In the event that the Company bills for services in advance of performance, it recognizes deferred revenue for the amount billed and subsequently recognizes revenue at the time the service is provided. Substantially all of the deferred revenue recorded as of December 31, 2019 was recognized as revenue during the three months ended March 31, 2020 when the service was performed.

See Note 11 for additional information regarding revenue by reportable segment.

### Contract Acquisition Costs

The incremental direct costs of obtaining a contract, which consist of sales incentives, are recognized as Other assets in the Company's Condensed Consolidated Balance Sheet, and are amortized to Selling, general and administrative expense over the estimated life of the relevant customer relationship, which ranges from one to five years. The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity would have recognized is one year or less. The Company had \$19,135 and \$16,846 of deferred sales incentives at March 31, 2020 and December 31, 2019, respectively.

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**6. ACCOUNTS RECEIVABLE**

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for credit losses, represents their estimated net realizable value.

The allowance for credit losses is based on management's assessment of the collectability of assets pooled together with similar risk characteristics. The Company monitors the collectability of its trade receivables as one overall pool as all trade receivables have similar risk characteristics. The Company estimates its allowance for credit losses based on historical collection trends, the age of outstanding receivables, geographical location of the customer, existing economic conditions and reasonable forecasts. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when the Company's internal collection efforts have been unsuccessful in collecting the amount due.

The following is a rollforward of the Company's allowance for credit losses from January 1, 2020 to March 31, 2020:

|                                                     |           |               |
|-----------------------------------------------------|-----------|---------------|
| Beginning balance                                   | \$        | 16,432        |
| Current period provision for expected credit losses |           | 2,027         |
| Write-offs charged against the allowance            |           | (5,063)       |
| Recoveries collected                                |           | 1,932         |
| Impact of changes in foreign currency               |           | (156)         |
| Ending balance                                      | <u>\$</u> | <u>15,172</u> |

**7. LANDFILL ACCOUNTING**

At March 31, 2020, the Company's landfills consisted of 82 owned landfills, six landfills operated under life-of-site operating agreements, four landfills operated under limited-term operating agreements and one development stage landfill. The Company's landfills had site costs with a net book value of \$2,930,197 at March 31, 2020. 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.

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Based on remaining permitted capacity as of March 31, 2020, and projected annual disposal volumes, the average remaining landfill life for the Company's owned landfills and landfills operated under life-of-site operating agreements is estimated to be approximately 28 years. As of March 31, 2020, the Company is seeking to expand permitted capacity at six of its owned landfills and three 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 204 years.

During the three months ended March 31, 2020 and 2019, the Company expensed \$48,737 and \$48,580, respectively, or an average of \$4.49 and \$4.74 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 2020 and 2019 "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. The Company's inflation rate assumption is 2.5% for the years ending December 31, 2020 and 2019. 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 three months ended March 31, 2020 and 2019, the Company expensed \$3,849 and \$3,434 respectively, or an average of \$0.36 and \$0.34 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2019 to March 31, 2020:

|                                                                        |                   |
|------------------------------------------------------------------------|-------------------|
| Final capping, closure and post-closure liability at December 31, 2019 | \$ 291,474        |
| Liability adjustments                                                  | (9,904)           |
| Accretion expense associated with landfill obligations                 | 3,849             |
| Closure payments                                                       | (507)             |
| Foreign currency translation adjustment                                | (3,585)           |
| Final capping, closure and post-closure liability at March 31, 2020    | <u>\$ 281,327</u> |

Liability adjustments of \$9,904 for the three months ended March 31, 2020, represent non-cash changes to final capping, closure and post-closure liabilities and are recorded on the Condensed Consolidated Balance Sheets along with an offsetting addition to site costs, which is amortized to depletion expense as the remaining landfill airspace is consumed. The final capping, closure and post-closure liability is included in Other long-term liabilities in the Condensed Consolidated Balance Sheets. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

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At March 31, 2020 and December 31, 2019, \$16,842 and \$12,324, respectively, of the Company's restricted cash balance and \$43,253 and \$48,590, respectively, of the Company's restricted investments balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

**8. ACQUISITIONS**

The Company acquired one immaterial non-hazardous solid waste collection business during the three months ended March 31, 2020. The total acquisition-related costs incurred during the three months ended March 31, 2020 for this acquisition were \$1,146. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

The Company acquired three individually immaterial non-hazardous solid waste collection and transfer businesses during the three months ended March 31, 2019. The total acquisition-related costs incurred during the three months ended March 31, 2019 for these acquisitions were \$837. 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 the 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.

Goodwill acquired during the three months ended March 31, 2020 and 2019, totaling \$3,482 and \$4,446, respectively, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to four individually immaterial acquisitions completed during the twelve months ended March 31, 2020, is provisional pending receipt of information from the acquirees to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these four acquisitions are not expected to be material to the Company's financial position.

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**9. INTANGIBLE ASSETS, NET**

Intangible assets, exclusive of goodwill, consisted of the following at March 31, 2020:

|                                                   | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Accumulated<br>Impairment<br>Loss | Net<br>Carrying<br>Amount |
|---------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------|---------------------------|
| Finite-lived intangible assets:                   |                             |                             |                                   |                           |
| Long-term franchise agreements and contracts      | \$ 542,673                  | \$ (199,100)                | \$ —                              | \$ 343,573                |
| Customer lists                                    | 581,514                     | (321,578)                   | —                                 | 259,936                   |
| Permits and other                                 | 360,454                     | (65,988)                    | —                                 | 294,466                   |
|                                                   | <u>1,484,641</u>            | <u>(586,666)</u>            | <u>—</u>                          | <u>897,975</u>            |
| Indefinite-lived intangible assets:               |                             |                             |                                   |                           |
| Solid waste collection and transportation permits | 158,591                     | —                           | —                                 | 158,591                   |
| Material recycling facility permits               | 42,283                      | —                           | —                                 | 42,283                    |
| E&P facility permits                              | 59,855                      | —                           | (38,507)                          | 21,348                    |
|                                                   | <u>260,729</u>              | <u>—</u>                    | <u>(38,507)</u>                   | <u>222,222</u>            |
| Intangible assets, exclusive of goodwill          | <u>\$ 1,745,370</u>         | <u>\$ (586,666)</u>         | <u>\$ (38,507)</u>                | <u>\$ 1,120,197</u>       |

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the three months ended March 31, 2020 was 2.5 years. The weighted-average amortization period of customer lists acquired during the three months ended March 31, 2020 was 11.0 years.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2019:

|                                                   | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Accumulated<br>Impairment<br>Loss | Net<br>Carrying<br>Amount |
|---------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------|---------------------------|
| Finite-lived intangible assets:                   |                             |                             |                                   |                           |
| Long-term franchise agreements and contracts      | \$ 550,340                  | \$ (192,462)                | \$ —                              | \$ 357,878                |
| Customer lists                                    | 587,562                     | (308,427)                   | —                                 | 279,135                   |
| Permits and other                                 | 367,127                     | (63,299)                    | —                                 | 303,828                   |
|                                                   | <u>1,505,029</u>            | <u>(564,188)</u>            | <u>—</u>                          | <u>940,841</u>            |
| Indefinite-lived intangible assets:               |                             |                             |                                   |                           |
| Solid waste collection and transportation permits | 158,591                     | —                           | —                                 | 158,591                   |
| Material recycling facility permits               | 42,283                      | —                           | —                                 | 42,283                    |
| E&P facility permits                              | 59,855                      | —                           | (38,507)                          | 21,348                    |
|                                                   | <u>260,729</u>              | <u>—</u>                    | <u>(38,507)</u>                   | <u>222,222</u>            |
| Intangible assets, exclusive of goodwill          | <u>\$ 1,765,758</u>         | <u>\$ (564,188)</u>         | <u>\$ (38,507)</u>                | <u>\$ 1,163,063</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, 2020 | \$ 125,910 |
| For the year ending December 31, 2021 | \$ 109,183 |
| For the year ending December 31, 2022 | \$ 94,080  |
| For the year ending December 31, 2023 | \$ 79,600  |
| For the year ending December 31, 2024 | \$ 68,241  |

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**10. LONG-TERM DEBT**

The following table presents the Company's long-term debt as of March 31, 2020 and December 31, 2019:

|                                                                                                                                                                                                           | March 31,<br>2020   | December 31,<br>2019 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Revolver under Credit Agreement, bearing interest ranging from 2.09% to 2.33% <sup>(a)</sup>                                                                                                              | \$ 692,623          | \$ 916,247           |
| Term loan under Credit Agreement, bearing interest at 2.09% <sup>(a)</sup>                                                                                                                                | 650,000             | 700,000              |
| 4.64% Senior Notes due 2021                                                                                                                                                                               | 100,000             | 100,000              |
| 2.39% Senior Notes due 2021                                                                                                                                                                               | 150,000             | 150,000              |
| 3.09% Senior Notes due 2022                                                                                                                                                                               | 125,000             | 125,000              |
| 2.75% Senior Notes due 2023                                                                                                                                                                               | 200,000             | 200,000              |
| 3.24% Senior Notes due 2024                                                                                                                                                                               | 150,000             | 150,000              |
| 3.41% Senior Notes due 2025                                                                                                                                                                               | 375,000             | 375,000              |
| 3.03% Senior Notes due 2026                                                                                                                                                                               | 400,000             | 400,000              |
| 3.49% Senior Notes due 2027                                                                                                                                                                               | 250,000             | 250,000              |
| 4.25% Senior Notes due 2028                                                                                                                                                                               | 500,000             | 500,000              |
| 3.50% Senior Notes due 2029                                                                                                                                                                               | 500,000             | 500,000              |
| 2.60% Senior Notes due 2030                                                                                                                                                                               | 600,000             | —                    |
| 3.05% Senior Notes due 2050                                                                                                                                                                               | 500,000             | —                    |
| Notes payable to sellers and other third parties, bearing interest ranging from 2.75% to 10.35%, principal and interest payments due periodically with due dates ranging from 2021 to 2036 <sup>(a)</sup> | 9,271               | 9,638                |
|                                                                                                                                                                                                           | 5,201,894           | 4,375,885            |
| Less – current portion                                                                                                                                                                                    | (4,318)             | (465)                |
| Less – unamortized debt discount and issuance costs                                                                                                                                                       | (36,841)            | (21,638)             |
|                                                                                                                                                                                                           | <u>\$ 5,160,735</u> | <u>\$ 4,353,782</u>  |

(a) Interest rates represent the interest rates incurred at March 31, 2020.

**Senior Notes due 2030 and 2050**

On January 23, 2020, the Company completed an underwritten public offering of \$600,000 aggregate principal amount of 2.60% Senior Notes due 2030 (the “2030 Senior Notes”). The 2030 Senior Notes were issued under the Indenture, dated as of November 16, 2018 (the “Base Indenture”), by and between the Company and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the Third Supplemental Indenture, dated as of January 23, 2020. The Company is amortizing \$5,435 of debt issuance costs through the maturity date.

The Company will pay interest on the 2030 Senior Notes semi-annually in arrears and the 2030 Senior Notes will mature on February 1, 2030. The 2030 Senior Notes are senior unsecured obligations, ranking equally in right of payment to the Company's other existing and future unsubordinated debt and senior to any of the Company's future subordinated debt. The 2030 Senior Notes are not guaranteed by any of the Company's subsidiaries.

The Company may redeem some or all of the 2030 Senior Notes at its option prior to November 1, 2029 (three months before the maturity date) at any time and from time to time at a redemption price equal to the greater of 100% of the principal amount of the 2030 Senior Notes redeemed, or the sum of the present values of the remaining scheduled



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payments of principal and interest on the 2030 Senior Notes redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Commencing on November 1, 2029 (three months before the maturity date), the Company may redeem some or all of the 2030 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the 2030 Senior Notes being redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

On March 13, 2020, the Company completed an underwritten public offering of \$500,000 aggregate principal amount of 3.05% Senior Notes due 2050 (the “2050 Senior Notes”). The 2050 Senior Notes were issued under the Base Indenture, as supplemented by the Fourth Supplemental Indenture, dated as of March 13, 2020 (the Base Indenture as so supplemented, the “Indenture”). The Company is amortizing a \$7,375 debt discount and \$5,502 of debt issuance costs through the maturity date.

The Company will pay interest on the 2050 Senior Notes semi-annually in arrears and the 2050 Senior Notes will mature on April 1, 2050. The 2050 Senior Notes are senior unsecured obligations, ranking equally in right of payment to the Company’s other existing and future unsubordinated debt and senior to any of the Company’s future subordinated debt. The 2050 Senior Notes are not guaranteed by any of the Company’s subsidiaries.

The Company may redeem some or all of the 2050 Senior Notes at its option prior to October 1, 2049 (six months before the maturity date) at any time and from time to time at a redemption price equal to the greater of 100% of the principal amount of the 2050 Senior Notes redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the 2050 Senior Notes redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Commencing on October 1, 2049 (six months before the maturity date), the Company may redeem some or all of the 2050 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the 2050 Senior Notes being redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

Under certain circumstances, the Company may become obligated to pay additional amounts (the “Additional Amounts”) with respect to the 2030 and/or 2050 Senior Notes, or the Notes, to ensure that the net amounts received by each holder of the Notes will not be less than the amount such holder would have received if withholding taxes or deductions were not incurred on a payment under or with respect to the Notes. If such payment of Additional Amounts is a result of a change in the laws or regulations, including a change in any official position, the introduction of an official position or a holding by a court of competent jurisdiction, of any jurisdiction from or through which payment is made by or on behalf of the Notes having power to tax, and the Company cannot avoid such payments of Additional Amounts through reasonable measures, then the Company may redeem the 2030 and/or 2050 Senior Notes then outstanding at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

If the Company experiences certain kinds of changes of control, each holder of the Notes may require the Company to repurchase all or a portion of the Notes for cash at a price equal to 101% of the aggregate principal amount of such Notes, plus any accrued but unpaid interest to, but excluding, the date of repurchase.

The covenants in the Indenture include limitations on liens, sale-leaseback transactions and mergers and sales of all or substantially all of the Company’s assets. The Indenture also includes customary events of default with respect to the Notes. As of March 31, 2020, the Company was in compliance with all applicable covenants in the Indenture.

Upon an event of default, the principal of and accrued and unpaid interest on all the Notes may be declared to be due and payable by the Trustee or the holders of not less than 25% in principal amount of the outstanding 2030 and/or

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2050 Senior Notes. Upon such a declaration, such principal and accrued interest on all of the 2030 and/or 2050 Senior Notes will be due and payable immediately. In the case of an event of default resulting from certain events of bankruptcy, insolvency or reorganization, the principal (or such specified amount) of and accrued and unpaid interest, if any, on all outstanding 2030 and/or 2050 Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Notes. Under certain circumstances, the holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

Credit Agreement

Details of the Credit Agreement are as follows:

|                                                         | March 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------------------------|-------------------|----------------------|
| <i>Revolver under Credit Agreement</i>                  |                   |                      |
| Available                                               | \$ 762,561        | \$ 538,642           |
| Letters of credit outstanding                           | \$ 107,316        | \$ 107,611           |
| Total amount drawn, as follows:                         | \$ 692,623        | \$ 916,247           |
| Amount drawn - U.S. LIBOR rate loan                     | \$ 675,000        | \$ 897,000           |
| Interest rate applicable - U.S. LIBOR rate loan         | 2.09 %            | 2.90 %               |
| Amount drawn – Canadian bankers’ acceptance             | \$ 17,623         | \$ 19,247            |
| Interest rate applicable – Canadian bankers’ acceptance | 2.33 %            | 3.18 %               |
| Commitment – rate applicable                            | 0.12 %            | 0.12 %               |
| <i>Term loan under Credit Agreement</i>                 |                   |                      |
| Amount drawn – U.S. based LIBOR loan                    | \$ 650,000        | \$ 700,000           |
| Interest rate applicable – U.S. based LIBOR loan        | 2.09 %            | 2.90 %               |

## 11. 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 solid waste 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 solid waste 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 Eastern segment services customers located in northern Illinois, Kentucky, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, eastern Tennessee, Vermont, Virginia and Wisconsin; the Company’s Southern segment services customers located in Alabama, Arkansas, Florida, Georgia, 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 Central segment services customers located in Arizona, Colorado, southern Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, New Mexico, Oklahoma, South Dakota, western Texas, Utah and eastern Wyoming; and the Company’s Canada segment services customers located in the state of Michigan and in the provinces

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of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan. The E&P segment services E&P customers located in Louisiana, New Mexico, North Dakota, Oklahoma, Texas, Wyoming and along the Gulf of Mexico.

The Company's Chief Operating Decision Maker 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, and other income (expense). 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 11.

Summarized financial information concerning the Company's reportable segments for the three months ended March 31, 2020 and 2019, is shown in the following tables:

| Three Months Ended<br>March 31, 2020 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment<br>EBITDA <sup>(c)</sup> |
|--------------------------------------|---------------------|----------------------------------------|---------------------|----------------------------------|
| Eastern                              | \$ 397,000          | \$ (64,798)                            | \$ 332,202          | \$ 84,662                        |
| Southern                             | 351,502             | (42,115)                               | 309,387             | 74,517                           |
| Western                              | 305,436             | (33,455)                               | 271,981             | 81,029                           |
| Central                              | 237,570             | (29,028)                               | 208,542             | 73,151                           |
| Canada                               | 193,107             | (22,684)                               | 170,423             | 59,398                           |
| E&P                                  | 64,880              | (5,011)                                | 59,869              | 31,802                           |
| Corporate <sup>(a)</sup>             | —                   | —                                      | —                   | (3,631)                          |
|                                      | <u>\$ 1,549,495</u> | <u>\$ (197,091)</u>                    | <u>\$ 1,352,404</u> | <u>\$ 400,928</u>                |

  

| Three Months Ended<br>March 31, 2019 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment<br>EBITDA <sup>(c)</sup> |
|--------------------------------------|---------------------|----------------------------------------|---------------------|----------------------------------|
| Eastern                              | \$ 346,846          | \$ (54,019)                            | \$ 292,827          | \$ 76,957                        |
| Southern                             | 324,482             | (37,153)                               | 287,329             | 74,377                           |
| Western                              | 286,175             | (31,196)                               | 254,979             | 77,005                           |
| Central                              | 202,792             | (24,915)                               | 177,877             | 63,027                           |
| Canada                               | 190,286             | (21,939)                               | 168,347             | 59,244                           |
| E&P                                  | 66,035              | (2,757)                                | 63,278              | 31,609                           |
| Corporate <sup>(a)</sup>             | —                   | —                                      | —                   | (3,858)                          |
|                                      | <u>\$ 1,416,616</u> | <u>\$ (171,979)</u>                    | <u>\$ 1,244,637</u> | <u>\$ 378,361</u>                |

- (a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training, direct acquisition expenses, other administrative functions and share-based compensation expenses associated with Progressive Waste share-based grants outstanding at June 1, 2016 that were continued by the Company. 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.

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Total assets for each of the Company's reportable segments at March 31, 2020 and December 31, 2019, were as follows:

|              | March 31,<br>2020    | December 31,<br>2019 |
|--------------|----------------------|----------------------|
| Eastern      | \$ 3,060,723         | \$ 3,099,283         |
| Southern     | 2,971,182            | 2,990,247            |
| Western      | 1,712,098            | 1,718,015            |
| Central      | 1,875,151            | 1,885,468            |
| Canada       | 2,265,718            | 2,490,291            |
| E&P          | 950,019              | 962,202              |
| Corporate    | 1,444,520            | 592,189              |
| Total Assets | <u>\$ 14,279,411</u> | <u>\$ 13,737,695</u> |

The following tables show changes in goodwill during the three months ended March 31, 2020 and 2019, by reportable segment:

|                                       | Eastern             | Southern            | Western           | Central           | Canada              | E&P         | Total               |
|---------------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|-------------|---------------------|
| Balance as of December 31, 2019       | \$ 1,331,180        | \$ 1,528,225        | \$ 400,037        | \$ 729,470        | \$ 1,521,939        | \$ —        | \$ 5,510,851        |
| Goodwill acquired                     | —                   | —                   | —                 | 3,741             | —                   | —           | 3,741               |
| Goodwill acquisition adjustments      | (524)               | 195                 | 70                | —                 | —                   | —           | (259)               |
| Impact of changes in foreign currency | —                   | —                   | —                 | —                 | (128,492)           | —           | (128,492)           |
| Balance as of March 31, 2020          | <u>\$ 1,330,656</u> | <u>\$ 1,528,420</u> | <u>\$ 400,107</u> | <u>\$ 733,211</u> | <u>\$ 1,393,447</u> | <u>\$ —</u> | <u>\$ 5,385,841</u> |

|                                       | Eastern             | Southern            | Western           | Central           | Canada              | E&P         | Total               |
|---------------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|-------------|---------------------|
| Balance as of December 31, 2018       | \$ 1,126,486        | \$ 1,517,610        | \$ 398,174        | \$ 540,435        | \$ 1,448,980        | \$ —        | \$ 5,031,685        |
| Goodwill acquired                     | —                   | —                   | 918               | 3,702             | —                   | —           | 4,620               |
| Goodwill acquisition adjustments      | (83)                | (88)                | —                 | —                 | (3)                 | —           | (174)               |
| Goodwill divested                     | —                   | (845)               | —                 | —                 | —                   | —           | (845)               |
| Impact of changes in foreign currency | —                   | —                   | —                 | —                 | 30,244              | —           | 30,244              |
| Balance as of March 31, 2019          | <u>\$ 1,126,403</u> | <u>\$ 1,516,677</u> | <u>\$ 399,092</u> | <u>\$ 544,137</u> | <u>\$ 1,479,221</u> | <u>\$ —</u> | <u>\$ 5,065,530</u> |

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

|                                       | <b>Three Months Ended</b> |                   |
|---------------------------------------|---------------------------|-------------------|
|                                       | <b>March 31,</b>          |                   |
|                                       | <b>2020</b>               | <b>2019</b>       |
| Eastern segment EBITDA                | \$ 84,662                 | \$ 76,957         |
| Southern segment EBITDA               | 74,517                    | 74,377            |
| Western segment EBITDA                | 81,029                    | 77,005            |
| Central segment EBITDA                | 73,151                    | 63,027            |
| Canada segment EBITDA                 | 59,398                    | 59,244            |
| E&P segment EBITDA                    | 31,802                    | 31,609            |
| Subtotal reportable segments          | 404,559                   | 382,219           |
| Unallocated corporate overhead        | (3,631)                   | (3,858)           |
| Depreciation                          | (150,821)                 | (146,847)         |
| Amortization of intangibles           | (31,638)                  | (30,542)          |
| Impairments and other operating items | (1,506)                   | (16,112)          |
| Interest expense                      | (37,990)                  | (37,287)          |
| Interest income                       | 2,175                     | 3,311             |
| Other income (expense), net           | (9,521)                   | 2,661             |
| Income before income tax provision    | <u>\$ 171,627</u>         | <u>\$ 153,545</u> |

## 12. DERIVATIVE FINANCIAL INSTRUMENTS

The Company recognizes all derivatives on the Condensed Consolidated Balance Sheets at fair value. All of the Company's derivatives have been designated as cash flow hedges; therefore, the gain or loss on the derivatives will be recognized in accumulated other comprehensive income (loss) ("AOCIL") and reclassified into earnings in the same period during which the hedged transaction affects earnings and is presented in the same income statement line item as the earnings effect of the hedged item. The Company classifies cash inflows and outflows from derivatives within operating activities on the Condensed Consolidated Statements of Cash Flows.

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings under the Credit Agreement. The Company's strategy to achieve that objective involves entering into interest rate swaps. The interest rate swaps outstanding at March 31, 2020 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

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At March 31, 2020, the Company's derivative instruments included 14 interest rate swap agreements as follows:

| Date Entered  | Notional Amount | Fixed Interest Rate Paid* | Variable Interest Rate Received | Effective Date | Expiration Date |
|---------------|-----------------|---------------------------|---------------------------------|----------------|-----------------|
| 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    |
| 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    |
| August 2017   | \$ 100,000      | 1.900 %                   | 1-month LIBOR                   | July 2019      | July 2022       |
| August 2017   | \$ 200,000      | 2.200 %                   | 1-month LIBOR                   | October 2020   | October 2025    |
| August 2017   | \$ 150,000      | 1.950 %                   | 1-month LIBOR                   | February 2020  | February 2023   |
| June 2018     | \$ 200,000      | 2.925 %                   | 1-month LIBOR                   | October 2020   | October 2025    |
| June 2018     | \$ 200,000      | 2.925 %                   | 1-month LIBOR                   | October 2020   | October 2025    |
| December 2018 | \$ 200,000      | 2.850 %                   | 1-month LIBOR                   | July 2022      | July 2027       |

\* Plus applicable margin.

The fair values of derivative instruments designated as cash flow hedges as of March 31, 2020, 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 <sup>(a)</sup> | \$ —       | Accrued liabilities <sup>(a)</sup> | \$ (14,730) |
|                                                  |                                                          |            | Other long-term liabilities        | (83,539)    |
| Total derivatives designated as cash flow hedges |                                                          | \$ —       |                                    | \$ (98,269) |

(a) Represents the estimated amount of the existing unrealized losses, respectively, on interest rate swaps as of March 31, 2020 (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.

The fair values of derivative instruments designated as cash flow hedges as of December 31, 2019, 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 | \$ 2,845   | Accrued liabilities         | \$ (3,680)  |
|                                                  |                                           |            | Other long-term liabilities | (38,967)    |
| Total derivatives designated as cash flow hedges |                                           | \$ 2,845   |                             | \$ (42,647) |

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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 months ended March 31, 2020 and 2019:

| Derivatives<br>Designated as Cash<br>Flow Hedges | Amount of Gain or (Loss) Recognized<br>as AOCIL on Derivatives, Net of Tax <sup>(a)</sup> |             | Statement of<br>Net Income<br>Classification | Amount of (Gain) or Loss Reclassified<br>from AOCIL into Earnings,<br>Net of Tax <sup>(b)</sup> |            |
|--------------------------------------------------|-------------------------------------------------------------------------------------------|-------------|----------------------------------------------|-------------------------------------------------------------------------------------------------|------------|
|                                                  | Three Months Ended<br>March 31,                                                           |             |                                              | Three Months Ended<br>March 31,                                                                 |            |
|                                                  | 2020                                                                                      | 2019        |                                              | 2020                                                                                            | 2019       |
| Interest rate swaps                              | \$ (42,649)                                                                               | \$ (11,555) | Interest expense                             | \$ (323)                                                                                        | \$ (1,817) |

(a) In accordance with the derivatives and hedging guidance, the changes in fair values of interest rate swaps 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, all unrealized changes in fair value are recorded in AOCIL.

(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.

See Note 16 for further discussion on the impact of the Company's hedge accounting to its consolidated comprehensive income (loss) and AOCIL.

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash and equivalents, trade receivables, restricted cash and investments, trade payables, debt instruments, contingent consideration obligations and interest rate swaps. As of March 31, 2020 and December 31, 2019, the carrying values of cash and equivalents, trade receivables, restricted cash and investments, 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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, are as follows:

|                             | Carrying Value at |                      | Fair Value* at    |                      |
|-----------------------------|-------------------|----------------------|-------------------|----------------------|
|                             | March 31,<br>2020 | December 31,<br>2019 | March 31,<br>2020 | December 31,<br>2019 |
| 4.64% Senior Notes due 2021 | \$ 100,000        | \$ 100,000           | \$ 102,092        | \$ 102,654           |
| 2.39% Senior Notes due 2021 | \$ 150,000        | \$ 150,000           | \$ 149,765        | \$ 149,823           |
| 3.09% Senior Notes due 2022 | \$ 125,000        | \$ 125,000           | \$ 126,360        | \$ 126,884           |
| 2.75% Senior Notes due 2023 | \$ 200,000        | \$ 200,000           | \$ 200,282        | \$ 201,121           |
| 3.24% Senior Notes due 2024 | \$ 150,000        | \$ 150,000           | \$ 152,850        | \$ 153,804           |
| 3.41% Senior Notes due 2025 | \$ 375,000        | \$ 375,000           | \$ 386,130        | \$ 389,127           |
| 3.03% Senior Notes due 2026 | \$ 400,000        | \$ 400,000           | \$ 403,469        | \$ 406,768           |
| 3.49% Senior Notes due 2027 | \$ 250,000        | \$ 250,000           | \$ 256,987        | \$ 259,789           |
| 4.25% Senior Notes due 2028 | \$ 500,000        | \$ 500,000           | \$ 540,550        | \$ 562,050           |
| 3.50% Senior Notes due 2029 | \$ 500,000        | \$ 500,000           | \$ 512,450        | \$ 533,500           |
| 2.60% Senior Notes due 2030 | \$ 600,000        | \$ —                 | \$ 574,980        | \$ —                 |
| 3.05% Senior Notes due 2050 | \$ 500,000        | \$ —                 | \$ 437,700        | \$ —                 |

\*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.

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For details on the fair value of the Company's interest rate swaps, restricted cash and investments and contingent consideration, refer to Note 15.

**14. 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 months ended March 31, 2020 and 2019:

|                                                                                       | Three Months Ended<br>March 31, |                    |
|---------------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                       | 2020                            | 2019               |
| <b>Numerator:</b>                                                                     |                                 |                    |
| Net income attributable to Waste Connections for basic and diluted earnings per share | \$ 143,035                      | \$ 125,622         |
| <b>Denominator:</b>                                                                   |                                 |                    |
| Basic shares outstanding                                                              | 263,790,364                     | 263,603,418        |
| Dilutive effect of equity-based awards                                                | 562,794                         | 733,512            |
| Diluted shares outstanding                                                            | <u>264,353,158</u>              | <u>264,336,930</u> |

**15. 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 cash and investments. At March 31, 2020 and December 31, 2019, the Company's derivative instruments included pay-fixed, receive-variable interest rate swaps. 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. For the Company's interest rate swaps, 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 cash and investments 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 cash and investments measured at fair value are invested primarily in money market accounts, bank time deposits, U.S. government and agency securities and Canadian bankers' acceptance notes.



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The Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2020 and December 31, 2019, were as follows:

|                                                                    | Fair Value Measurement at March 31, 2020 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 liability position | \$ (98,269)                                    | \$ —                                                           | \$ (98,269)                                   | \$ —                                      |
| Restricted cash and investments                                    | \$ 134,934                                     | \$ —                                                           | \$ 134,934                                    | \$ —                                      |
| Contingent consideration                                           | \$ (67,599)                                    | \$ —                                                           | \$ —                                          | \$ (67,599)                               |

|                                                                    | Fair Value Measurement at December 31, 2019 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 liability position | \$ (39,802)                                       | \$ —                                                           | \$ (39,802)                                   | \$ —                                      |
| Restricted cash and investments                                    | \$ 147,318                                        | \$ —                                                           | \$ 147,318                                    | \$ —                                      |
| Contingent consideration                                           | \$ (69,484)                                       | \$ —                                                           | \$ —                                          | \$ (69,484)                               |

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the three months ended March 31, 2020 and 2019:

|                                                                  | Three Months Ended March 31, |           |
|------------------------------------------------------------------|------------------------------|-----------|
|                                                                  | 2020                         | 2019      |
| Beginning balance                                                | \$ 69,484                    | \$ 54,615 |
| Payment of contingent consideration recorded at acquisition date | (1,976)                      | (275)     |
| Adjustments to contingent consideration                          | —                            | 1,466     |
| Interest accretion expense                                       | 416                          | 455       |
| Foreign currency translation adjustment                          | (325)                        | 75        |
| Ending balance                                                   | \$ 67,599                    | \$ 56,336 |

#### 16. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three months ended March 31, 2020 and 2019 are as follows:

|                                                               | Three Months Ended March 31, 2020 |                  |                     |
|---------------------------------------------------------------|-----------------------------------|------------------|---------------------|
|                                                               | Gross                             | Tax Effect       | Net of Tax          |
| Interest rate swap amounts reclassified into interest expense | \$ (440)                          | \$ 117           | \$ (323)            |
| Changes in fair value of interest rate swaps                  | (58,026)                          | 15,377           | (42,649)            |
| Foreign currency translation adjustment                       | (184,717)                         | —                | (184,717)           |
|                                                               | <u>\$ (243,183)</u>               | <u>\$ 15,494</u> | <u>\$ (227,689)</u> |

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|                                                               | Three Months Ended March 31, 2019 |                 |                  |
|---------------------------------------------------------------|-----------------------------------|-----------------|------------------|
|                                                               | Gross                             | Tax Effect      | Net of Tax       |
| Interest rate swap amounts reclassified into interest expense | \$ (2,472)                        | \$ 655          | \$ (1,817)       |
| Changes in fair value of interest rate swaps                  | (15,721)                          | 4,166           | (11,555)         |
| Foreign currency translation adjustment                       | 42,180                            | —               | 42,180           |
|                                                               | <u>\$ 23,987</u>                  | <u>\$ 4,821</u> | <u>\$ 28,808</u> |

A rollforward of the amounts included in AOCIL, net of taxes, for the three months ended March 31, 2020 and 2019, is as follows:

|                                         | Interest<br>Rate Swaps | Foreign<br>Currency<br>Translation<br>Adjustment | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|-----------------------------------------|------------------------|--------------------------------------------------|--------------------------------------------------------|
| Balance at December 31, 2019            | \$ (29,255)            | \$ 18,292                                        | \$ (10,963)                                            |
| Amounts reclassified into earnings      | (323)                  | —                                                | (323)                                                  |
| Changes in fair value                   | (42,649)               | —                                                | (42,649)                                               |
| Foreign currency translation adjustment | —                      | (184,717)                                        | (184,717)                                              |
| Balance at March 31, 2020               | <u>\$ (72,227)</u>     | <u>\$ (166,425)</u>                              | <u>\$ (238,652)</u>                                    |

|                                         | Interest<br>Rate Swaps | Foreign<br>Currency<br>Translation<br>Adjustment | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|-----------------------------------------|------------------------|--------------------------------------------------|--------------------------------------------------------|
| Balance at December 31, 2018            | \$ 8,892               | \$ (83,678)                                      | \$ (74,786)                                            |
| Amounts reclassified into earnings      | (1,817)                | —                                                | (1,817)                                                |
| Changes in fair value                   | (11,555)               | —                                                | (11,555)                                               |
| Foreign currency translation adjustment | —                      | 42,180                                           | 42,180                                                 |
| Balance at March 31, 2019               | <u>\$ (4,480)</u>      | <u>\$ (41,498)</u>                               | <u>\$ (45,978)</u>                                     |

See Note 12 for further discussion on the Company's derivative instruments.

## 17. SHAREHOLDERS' EQUITY

### Share-Based Compensation

#### *Restricted Share Units*

A summary of activity related to restricted share units ("RSUs") during the three-month period ended March 31, 2020, is presented below:

|                                  | Unvested Shares |
|----------------------------------|-----------------|
| Outstanding at December 31, 2019 | 861,012         |
| Granted                          | 326,045         |
| Forfeited                        | (15,787)        |
| Vested and issued                | (366,603)       |
| Outstanding at March 31, 2020    | <u>804,667</u>  |

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The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the three-month period ended March 31, 2020 was \$101.80.

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, unless a qualified participant makes certain other elections, the Company issues to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At March 31, 2020 and 2019, the Company had 190,201 and 249,003 vested deferred RSUs outstanding, respectively.

*Performance-Based Restricted Share Units*

A summary of activity related to performance-based restricted share units ("PSUs") during the three-month period ended March 31, 2020, is presented below:

|                                  | <b>Unvested Shares</b> |
|----------------------------------|------------------------|
| Outstanding at December 31, 2019 | 504,484                |
| Granted                          | 211,987                |
| Forfeited                        | (727)                  |
| Vested and issued                | (281,186)              |
| Outstanding at March 31, 2020    | <u>434,558</u>         |

During the three months ended March 31, 2020, the Company's 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, 2022. During the same period, the Company's 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 three-month period ended March 31, 2020 was \$87.19.

*Deferred Share Units*

A summary of activity related to deferred share units ("DSUs") during the three-month period ended March 31, 2020, is presented below:

|                                  | <b>Vested Shares</b> |
|----------------------------------|----------------------|
| Outstanding at December 31, 2019 | 18,970               |
| Granted                          | 2,616                |
| Outstanding at March 31, 2020    | <u>21,586</u>        |

The DSUs consist of a combination of DSU grants outstanding under the Progressive Waste share-based compensation plans that were continued by the Company following the Progressive Waste acquisition and DSUs granted by the Company since the Progressive Waste acquisition. The weighted average grant-date fair value per share for the common shares underlying the DSUs granted during the three-month period ended March 31, 2020 was \$103.81.

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*Other Restricted Share Units*

RSU grants outstanding under 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. A summary of activity related to Progressive Waste RSUs during the three-month period ended March 31, 2020, is presented below:

|                                  |               |
|----------------------------------|---------------|
| Outstanding at December 31, 2019 | 73,884        |
| Cash settled                     | (7,330)       |
| Outstanding at March 31, 2020    | <u>66,554</u> |

No RSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. All remaining RSUs were vested as of March 31, 2019.

*Share Based Options*

Share based options outstanding under 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. A summary of activity related to Progressive Waste share based options during the three-month period ended March 31, 2020, is presented below:

|                                  |               |
|----------------------------------|---------------|
| Outstanding at December 31, 2019 | 126,161       |
| Cash settled                     | (62,191)      |
| Outstanding at March 31, 2020    | <u>63,970</u> |

No share based options under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. All outstanding share based options were vested as of December 31, 2017.

Normal Course Issuer Bid

On July 25, 2019, 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") to purchase up to 13,184,474 of the Company's common shares during the period of August 8, 2019 to August 7, 2020 or until such earlier time as the NCIB is completed or terminated at the option of the Company. The renewal followed the conclusion of the Company's NCIB that expired August 7, 2019. The Company received Toronto Stock Exchange (the "TSX") approval for its annual renewal of the NCIB on August 2, 2019. Under the NCIB, the Company may make share repurchases only in the open market, including on the New York Stock Exchange (the "NYSE"), the TSX, and/or 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 is limited to a maximum of 79,933 common shares, which represents 25% of the average daily trading volume on the TSX of 319,734 common shares for the period from February 1, 2019 to July 31, 2019. 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.

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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 three months ended March 31, 2020, the Company repurchased 1,271,977 common shares pursuant to the NCIB at an aggregate cost of \$105,654. During the three months ended March 31, 2019, the Company did not repurchase any common shares pursuant to the NCIB. As of March 31, 2020, the remaining maximum number of shares available for repurchase under the current NCIB was 11,912,497.

Cash Dividend

In October 2019, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.025, from \$0.16 to \$0.185 per Company common share. Cash dividends of \$48,018 and \$42,084 were paid during the three months ended March 31, 2020 and 2019, respectively.

**18. 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 subpoena the Company for records, or seek to impose fines on the Company or 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 Company's business. Except as noted in the matters described below, as of March 31, 2020, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse effect on its business, financial condition, results of operations or cash flows.

Lower Duwamish Waterway Superfund Site Allocation Process

In November 2012, the Company's subsidiary, Northwest Container Services, Inc. ("NWCS"), was 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) would total approximately \$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,

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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. The LDWG and the EPA entered into a fourth amendment to the AOC in July 2018 primarily addressing development of a proposed remedy for the upper reach of the LDW Site, river mile 3 to river mile 5. At the April 24, 2019 stakeholders meeting the LDWG projected completion of the remedial design for the upper reach could be completed by August 2024.

On August 16, 2016, the EPA sent individual letters to each of the PRPs for 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 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 pre-remedial design work under the AOC 3 was not expected to conclude until the end of 2019, and in March 2017, the PRPs provided the EPA with notice that the allocation was not scheduled to conclude until mid-2019. Later extensions pushed the allocation conclusion date to early 2020 and the EPA was informed of that schedule. The allocation participants voted in June 2019 to extend the final allocation report deadline to July 2020. The EPA has been informed of that change. In January 2020, the allocator informed the parties that the allocation report will be delayed and he recently advised the parties that he hoped to issue the report by the end of May 2020. If the preliminary report is issued in May, the final report would likely be issued in October 2020. In June 2017, attorneys for the EPA informed attorneys for several PRPs that the EPA expected to begin RD/RA negotiations in the late summer or early fall of 2018. Those negotiations have not been scheduled and there is no recent indication from the EPA regarding when they will begin. 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.

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 for 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, 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. The Trustees released their Assessment Plan in March 2019. The Assessment Plan does not set forth a timeline for implementation. 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.

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Los Angeles County, California Landfill Expansion Litigation

A. Chiquita Canyon, LLC Lawsuit Against Los Angeles County

In October 2004, the Company's subsidiary, Chiquita Canyon, LLC ("CCL"), then under prior ownership, filed an application (the "Application") with the County of Los Angeles (the "County") Department of Regional Planning ("DRP") for a conditional use permit (the "CUP") to authorize the continued operation and expansion of the Chiquita Canyon Landfill (the "Landfill"). The Landfill has operated since 1972, and as a regional landfill, accepted approximately two million tons of materials for disposal and beneficial use in 2018. The Application requested expansion of the existing waste footprint on CCL's contiguous property, an increase in maximum elevation, creation of a new entrance and new support facilities, construction of a facility for the County or another third-party operator to host household hazardous waste collection events, designation of an area for mixed organics/composting, and other modifications.

After many years of reviews and delays, upon the recommendation of County staff, the County's Regional Planning Commission (the "Commission") approved the Application on April 19, 2017, but imposed operating conditions, fees and exactions that substantially reduce the historical landfill operations and represent a large increase in aggregate taxes and fees. CCL objected to many of the requirements imposed by the Commission. Current estimates for new costs imposed on CCL under the CUP are in excess of \$300,000.

CCL appealed the Commission's decision to the County Board of Supervisors, but the appeal was not successful. At a subsequent hearing, on July 25, 2017, the Board of Supervisors approved the CUP. On October 20, 2017, CCL filed in the Superior Court of California, County of Los Angeles a verified petition for writ of mandate and complaint against the County and the County Board of Supervisors captioned Chiquita Canyon, LLC v. County of Los Angeles, No. BS171262 (Los Angeles Co. Super Ct.) (the "Complaint"). The Complaint challenges the terms of the CUP in 13 counts generally alleging that the County violated multiple California and federal statutes and California and federal constitutional protections. CCL seeks the following relief: (a) an injunction and writ of mandate against certain of the CUP's operational restrictions, taxes and fees, (b) a declaration that the challenged conditions are unconstitutional and in violation of state and federal statutes, (c) reimbursement for any such illegal fees paid under protest, (d) damages, (e) an award of just compensation for a taking, (f) attorney fees, and (g) all other appropriate legal and equitable relief.

Responding to a procedural suggestion from the Court, CCL filed its First Amended Complaint on March 23, 2018. After full briefing, the hearing on the demurrer took place on July 17, 2018. The Superior Court sustained the demurrer and granted the motion to strike. The effect of the Court's rulings was to bar CCL from proceeding with its challenges to 14 of the 29 CUP conditions at issue in the litigation, including 13 operational conditions and CCL's challenge to the \$11,600 B&T Fee discussed below. The Superior Court granted CCL leave to amend its Complaint if CCL chose to pay the \$11,600 B&T fee to allow a challenge to the B&T fee to proceed under the Mitigation Fee Act. CCL paid the \$11,600 B&T fee on August 10, 2018 and filed its Second Amended Complaint on August 16, 2018, reflecting that the B&T fee had been paid under protest and allowing the challenges to the B&T fee to go forward.

On September 14, 2018, CCL sought discretionary review by the California Court of Appeal of the Superior Court's July 17, 2018 decision barring the challenge to 13 operational conditions. The Court of Appeal agreed to hear CCL's appeal and on February 25, 2019, the Court of Appeal issued its decision, reversing the trial court orders that granted the County's motion to strike and demurrer. The Court of Appeal ruled that CCL had adequately pled a claim that the County was equitably estopped from contending that CCL had forfeited its rights to challenge the legality of the 13 operational conditions. CCL's Complaint sets forth that CCL relied on representations made by the County in 2017 that CCL could reserve its legal rights to challenge the CUP in a separate reservation of rights letter rather than the affidavit of acceptance of the CUP that the County compelled Chiquita to file.

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At a trial setting conference on May 28, 2019, the equitable estoppel issues in this case were discussed and the Superior Court continued the June 18, 2019 trial date to April 23, 2020. The Superior Court also set an evidentiary hearing on the equitable estoppel issues for November 12, 2019. Discovery occurred on these issues in July through September 2019. Following full briefing and oral argument on November 12, 2019, the Superior Court issued its decision on November 13, 2019, finding that the County was estopped from contending that CCL has waived its rights to challenge the legality of the 13 operational conditions. The County sought interlocutory review of the Superior Court's decision in the Court of Appeal, which denied the County's petition on February 7, 2020. Trial was suspended by a March 23, 2020 order by the Superior Court in response to the COVID-19 outbreak and a new trial date has been scheduled for June 22, 2020. CCL will continue to vigorously prosecute the lawsuit. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

B. CEQA Lawsuit Against Los Angeles County Challenging Environmental Review for Landfill Expansion

A separate lawsuit involving CCL and the Landfill was filed on August 24, 2017 by community activists alleging that the environmental review underlying the CUP was inadequate under state law. The Val Verde Civic Association, Citizens for Chiquita Canyon Landfill Compliance, and the Santa Clarita Organization for Planning the Environment filed a petition for writ of mandate in the Superior Court of California, County of Los Angeles against the County, naming CCL as the real party in interest. The lawsuit seeks to overturn the County's approval of the CUP for the expansion of the Landfill and the certification of the final Environmental Impact Report, arguing that the report violates the California Environmental Quality Act. Pursuant to Condition No. 6 of the CUP, which requires CCL to defend, indemnify, and hold harmless the County, its agents, officers, and employees from any claim or proceeding against the County brought by any third party to attack, set aside, void, or annul the CUP approval, CCL has agreed to reimburse the County for its legal costs associated with defense of the lawsuit. As the real party in interest, CCL has a right to notice and an opportunity to be heard in opposition to the petition for writ of mandate. The petitioners filed their Opening Brief with the court on September 27, 2018. CCL filed its Opposition Brief with the court on November 28, 2018 and the petitioners filed their Reply Brief on December 20, 2018. A trial date had been scheduled for February 8, 2019, but on February 6, 2019, the court reassigned the case to a different judge and vacated the trial date. A new trial date was scheduled for August 23, 2019. At the conclusion of oral argument on August 23, 2019, the court asked the parties to return on September 13, 2019 for further oral argument on the odor mitigation issue. The court issued a final ruling on October 10, 2019 and a final judgment on December 4, 2019, denying the writ petition in full. On December 6, 2019, one of the petitioners, Santa Clarita Organization for Planning the Environment, filed an appeal of the court's October 10, 2019 ruling. On December 9, 2019, the same petitioner filed an appeal of the court's December 4, 2019 judgment. The appellant filed its Opening Brief on March 2, 2020. Both the County's and CCL's Opposition Briefs were originally due to the court on March 30, 2020. However, the Second District Court of Appeal issued orders on March 23 and April 15, 2020, extending the time to do any act required or permitted under the California Rules of Court by an additional 30 days each due to the COVID-19 outbreak. Under the current order, the County's and CCL's Opposition Briefs are due to the court on May 29, 2020.

C. December 11, 2017 Notice of Violation Regarding Certain CUP Conditions.

The County, through its DRP, issued a Notice of Violation, dated December 11, 2017 (the "NOV"), alleging that CCL violated certain conditions of the CUP, including Condition 79(B)(6) of the CUP by failing to pay an \$11,600 Bridge & Thoroughfare Fee ("B&T Fee") that was purportedly due on July 25, 2017. The alleged B&T fee was ostensibly to fund the construction of transportation infrastructure in the area of the Landfill. At the time the NOV was issued, CCL had already contested the legality of the B&T fee in the October 20, 2017 Complaint filed against the County in Los Angeles County Superior Court.



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On January 12, 2018, CCL filed an appeal of the alleged violations in the NOV. Subsequently, CCL filed additional legal arguments and exhibits contesting the NOV. On March 6, 2018, a DRP employee designated as hearing officer sustained the NOV, including the \$11,600 B&T fee, and imposed an administrative penalty in the amount of \$83 and a noncompliance fee of \$0.75. A written decision memorializing the hearing officer's findings and order, dated July 10, 2018, was received by CCL on July 12, 2018. On April 13, 2018, CCL filed in the Superior Court of California, County of Los Angeles a Petition for Writ of Administrative Mandamus against the County seeking to overturn the decision sustaining the NOV, contending that the NOV and decision are not supported by the facts or law. On June 22, 2018, Chiquita filed a Motion for Stay seeking to halt enforcement of the B&T fee and penalty and the accrual of any further penalties pending the resolution of the Petition for Writ of Mandamus. The motion was heard and denied by the Court on July 17, 2018. As explained above, the Court granted CCL leave to pay the \$11,600 B&T fee and to amend its Complaint to reflect the payment under protest, allowing the challenge to the B&T fee to proceed. CCL paid the B&T fee on August 10, 2018, and also paid on that date the administrative penalty of \$83 and a noncompliance fee of \$0.75. As directed by the Court, CCL amended its Complaint in a Second Amended Complaint filed in the CUP action on August 16, 2018. The Court indicated that the NOV case would likely be tried in conjunction with the CUP case, set for June 18, 2019, and that the cases would be coordinated. At the May 28, 2019 trial setting conference referenced above where the trial of the CUP case was set for April 23, 2020, the Superior Court set the trial for the B&T fee/NOV case for June 25, 2020. However, following the rescheduling of the trial date for the CUP case, the Superior Court agreed to continue the trial date for the B&T fee/NOV case to October 20, 2020. CCL will continue to vigorously prosecute the lawsuit. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

Town of Colonie, New York Landfill Expansion Litigation

On April 16, 2014, the Town of Colonie (the "Town") filed an application (the "Application") with the New York State Department of Environmental Conservation ("DEC") to modify the Town's then-current Solid Waste Management Facility Permit and for other related permits to authorize the development and operation of Area 7 of the Town of Colonie Landfill (the "Landfill"), which is located in Albany County, New York. DEC issued the requested permits on April 5, 2018 (the "Permits"). The Company's subsidiary, Capital Region Landfills, Inc. ("CRL"), has been the sole operator of the Landfill since September 2011 pursuant to an operating agreement between CRL and the Town.

On May 7, 2018, the Town of Halfmoon, New York, and five of its residents, commenced an Article 78 special proceeding in the Supreme Court of the State of New York, Saratoga County, against DEC, the Town, CRL, and the Company (the "Halfmoon Proceeding"). On that same date, the Town of Waterford, New York, and eleven of its residents, also commenced an Article 78 special proceeding in the Supreme Court of the State of New York, Saratoga County, against the same respondents (the "Waterford Proceeding"). On June 4, 2018, the Town and CRL filed Verified Answers, including motions to dismiss the petitions, and the Company separately moved to dismiss the petitions. The Waterford Petitioners stipulated to removing the Company as a respondent when they filed an Amended Verified Petition on June 15, 2018. The Halfmoon Petitioners served an Amended Verified Petition on July 5, 2018, retaining all originally named parties, including the Company.

The Petitioners alleged that, in granting the Permits, DEC failed to comply with the procedural and substantive requirements of New York's Environmental Conservation Law and State Environmental Quality Review Act, and their implementing regulations. The Petitioners asked the court to: annul the Permits and invalidate DEC's Findings Statement, enjoin the Town and CRL from taking any action authorized by the Permits, require an issues conference and possibly an adjudicatory hearing before DEC can re-consider the Town's permit application; remand all regulatory issues to a DEC Administrative Law Judge; and award costs and disbursements. The Waterford Petitioners also requested reasonable attorneys' fees.

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On July 13, 2018, the Honorable Ann C. Crowell granted a venue change motion filed by DEC, and ordered that the Halfmoon Proceeding and the Waterford Proceeding be transferred to the Supreme Court, Albany County. CRL's opposition submissions, including its responsive pleadings, Memorandum of Law, and supporting Affidavits, were filed and served on or before July 25, 2018. On August 28, 2018, the Towns of Waterford and Halfmoon filed a motion seeking an order preliminarily enjoining during the pendency of the proceedings all activities relating to the expansion of the Landfill which are authorized by the Permits. On September 18, 2018, CRL and the Company filed and served Memoranda of Law in opposition to the preliminary injunction motion, with supporting Affidavits, and, on September 24, 2018, the Towns of Waterford and Halfmoon filed a Reply Memorandum of Law in further support of their injunctive motion. The Honorable Debra J. Young denied the Petitioners' motion for preliminary injunction on November 30, 2018.

On January 23, 2019, the court held that the Petitioners lacked standing to maintain the proceedings and dismissed both the Waterford and Halfmoon Amended Verified Petitions in their entirety. In late February and early March 2019, the Waterford and Halfmoon Petitioners filed notices of appeal to the Appellate Division, Third Department, of both Judge Crowell's decision to transfer the proceedings to Albany County and of Judge Young's dismissal of the Amended Verified Petitions.

On March 7, 2019, the Waterford Petitioners moved, with consent of the Halfmoon Petitioners, to consolidate the appeals. Respondents opposed the consolidation motion to the extent that it may result in inequitable briefing under the Appellate Division rules. On April 4, 2019, the Appellate Division, Third Department granted the consolidation motion "to the extent that the appeals shall be heard together and may be perfected upon a joint record on appeal."

On April 26, 2019, the Waterford Petitioners filed a motion with the Appellate Division, Third Department, seeking an order preliminarily enjoining construction activities or the acceptance of waste at the Landfill. The Company, CRL, and the Town of Colonie opposed the motion, which was summarily denied by the Third Department, Appellate Division on June 20, 2019.

On June 25, 2019, the Waterford Petitioners filed their appellate brief and the joint record on appeal. The Halfmoon Petitioners filed their appellate brief on August 21, 2019. The Company, CRL, and the Town filed their joint appellee brief and supplemental appendix on November 20, 2019. On February 24, 2020, after receiving multiple filing extensions, DEC filed its appellee brief and supplemental appendix. The Waterford and Halfmoon Petitioners filed their reply briefs on March 10, 2020 and March 13, 2020, respectively. As such, the appeals are fully briefed.

The Appellate Division, Third Department originally scheduled the appeals to be argued during the court's May 2020 term. On April 8, 2020, the Third Department adjourned the appeals (and all other appeals scheduled for the May 2020 term) as a result of the COVID-19 outbreak, and informed the parties that the appeals would be scheduled during a future, unspecified, appellate term.

## **19. SUBSEQUENT EVENTS**

On April 23, 2020, the Company announced that its Board of Directors approved a regular quarterly cash dividend of \$0.185 per Company common share. The dividend will be paid on May 19, 2020, to shareholders of record on the close of business on May 5, 2020.

On April 30, 2020, the Company repaid \$500,000 on its revolver under its Credit Agreement with available cash on hand in conjunction with its monthly loan borrowing and repayment activities.

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The U.S. Department of Treasury finalized regulations on April 7, 2020 under Internal Revenue Code section 267A related to the deductibility of certain related-party payments. With these regulations becoming finalized, the Company expects that certain related-party payments taken into account for purposes of preparing the Company's 2019 Condensed Consolidated Financial Statements, which were issued prior to these section 267A regulations being finalized, will not be deductible on the Company's 2019 income tax returns which will be filed later this year. Although the determination of the ultimate tax liability resulting from these related-party payments no longer being deductible on the Company's 2019 income tax returns remains under review, the Company estimates an additional income tax expense will result of approximately \$27,400. Since the regulations were finalized after the Company's first quarter, the additional tax expense related to 2019 resulting from the final regulations will be included in the Company's quarterly reporting period ending June 30, 2020.

The challenges posed by the COVID-19 outbreak on the global economy increased significantly as the first quarter progressed, impacting the demand for Waste Connections' services in varying ways across the U.S. and Canada and across a variety of lines of business, including commercial collection and solid waste and E&P waste disposal. In response to COVID-19, national and local governments around the world have instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders and recommendations to practice social distancing. The ultimate impact of the COVID-19 outbreak on our business, results of operations, financial condition and cash flows will depend largely on future developments, including the duration and spread of the outbreak in the U.S. and Canada, its severity, the actions to contain the novel coronavirus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume, all of which are uncertain and cannot be predicted at this time.