

**These financial statements for Waste Connections, Inc. is also included in the Form 10-Q for the quarterly period ended September 30, 2019 filed on SEDAR on October 29, 2019 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)

	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 303,778	\$ 319,305
Accounts receivable, net of allowance for doubtful accounts of \$15,369 and \$16,760 at September 30, 2019 and December 31, 2018, respectively	676,676	609,545
Prepaid expenses and other current assets	124,836	164,053
Total current assets	1,105,290	1,092,903
Restricted cash	92,050	84,661
Restricted investments	50,602	47,486
Property and equipment, net	5,375,166	5,168,996
Operating lease right-of-use assets	189,697	—
Goodwill	5,297,556	5,031,685
Intangible assets, net	1,097,036	1,128,628
Other assets, net	62,838	72,970
Total assets	\$ 13,270,235	\$ 12,627,329
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 428,492	\$ 359,967
Book overdraft	20,429	18,518
Accrued liabilities	299,139	289,544
Current portion of operating lease liabilities	30,162	—
Current portion of contingent consideration	12,393	11,612
Deferred revenue	200,677	179,282
Current portion of long-term debt and notes payable	502	1,786
Total current liabilities	991,794	860,709
Long-term portion of debt and notes payable	4,039,405	4,153,465
Long-term portion of operating lease liabilities	166,347	—
Long-term portion of contingent consideration	44,561	43,003
Deferred income taxes	800,223	760,033
Other long-term liabilities	431,565	349,931
Total liabilities	6,473,895	6,167,141
Commitments and contingencies (Note 18)		
Equity:		
Common shares: 263,697,618 shares issued and 263,616,104 shares outstanding at September 30, 2019; 263,271,302 shares issued and 263,141,413 shares outstanding at December 31, 2018	4,135,343	4,131,307
Additional paid-in capital	147,188	133,577
Accumulated other comprehensive loss	(61,228)	(74,786)
Treasury shares: 81,514 and 129,889 shares at September 30, 2019 and December 31, 2018, respectively	—	—
Retained earnings	2,569,663	2,264,510
Total Waste Connections' equity	6,790,966	6,454,608
Noncontrolling interest in subsidiaries	5,374	5,580
Total equity	6,796,340	6,460,188
	\$ 13,270,235	\$ 12,627,329

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)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues	\$ 1,412,444	\$ 1,281,110	\$ 4,026,719	\$ 3,661,209
Operating expenses:				
Cost of operations	835,098	736,122	2,384,607	2,120,947
Selling, general and administrative	137,883	139,014	410,132	398,582
Depreciation	157,994	148,232	461,616	423,866
Amortization of intangibles	31,934	26,871	93,821	79,444
Impairments and other operating items	12,935	(1,998)	32,949	6,106
Operating income	236,600	232,869	643,594	632,264
Interest expense	(36,780)	(32,078)	(111,313)	(96,874)
Interest income	2,056	1,467	7,186	3,677
Other income (expense), net	(19)	600	4,562	2,053
Income before income tax provision	201,857	202,858	544,029	541,120
Income tax provision	(42,783)	(52,092)	(110,539)	(126,509)
Net income	159,074	150,766	433,490	414,611
Plus (less): Net loss (income) attributable to noncontrolling interests	35	77	89	(218)
Net income attributable to Waste Connections	<u>\$ 159,109</u>	<u>\$ 150,843</u>	<u>\$ 433,579</u>	<u>\$ 414,393</u>
Earnings per common share attributable to Waste Connections' common shareholders:				
Basic	<u>\$ 0.60</u>	<u>\$ 0.57</u>	<u>\$ 1.64</u>	<u>\$ 1.57</u>
Diluted	<u>\$ 0.60</u>	<u>\$ 0.57</u>	<u>\$ 1.64</u>	<u>\$ 1.57</u>
Shares used in the per share calculations:				
Basic	<u>263,853,681</u>	<u>263,628,838</u>	<u>263,768,258</u>	<u>263,657,274</u>
Diluted	<u>264,587,456</u>	<u>264,394,757</u>	<u>264,473,345</u>	<u>264,376,320</u>
Cash dividends per common share	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.48</u>	<u>\$ 0.42</u>

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2019	2018	2019	2018
Net income	\$ 159,074	\$ 150,766	\$ 433,490	\$ 414,611
Other comprehensive income (loss), before tax:				
Interest rate swap amounts reclassified into interest expense	(1,974)	4,279	(6,918)	2,407
Fuel hedge amounts reclassified into cost of operations	—	(1,810)	—	(4,647)
Changes in fair value of interest rate swaps	(15,482)	863	(56,818)	15,828
Changes in fair value of fuel hedges	—	295	—	2,956
Foreign currency translation adjustment	(24,911)	35,455	60,404	(67,349)
Other comprehensive income (loss), before tax	(42,367)	39,082	(3,332)	(50,805)
Income tax (expense) benefit related to items of other comprehensive income (loss)	4,626	(985)	16,890	(4,405)
Other comprehensive income (loss), net of tax	(37,741)	38,097	13,558	(55,210)
Comprehensive income	121,333	188,863	447,048	359,401
Plus (less): Comprehensive loss (income) attributable to noncontrolling interests	35	77	89	(218)
Comprehensive income attributable to Waste Connections	<u>\$ 121,368</u>	<u>\$ 188,940</u>	<u>\$ 447,137</u>	<u>\$ 359,183</u>

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

	WASTE CONNECTIONS' EQUITY								
	COMMON SHARES		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY SHARES		RETAINED EARNINGS	NONCONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT			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)	—	(16,974)	—	—	—	—	—	(16,974)
Equity-based compensation	—	—	11,627	—	—	—	—	—	11,627
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>	263,587,245	4,134,917	128,230	(45,978)	86,252	—	2,345,970	5,535	6,568,674
Sale of common shares held in trust	973	85	—	—	(973)	—	—	—	85
Vesting of restricted share units	6,495	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(3,081)	—	(290)	—	—	—	—	—	(290)
Equity-based compensation	—	—	10,254	—	—	—	—	—	10,254
Exercise of warrants	9,607	—	—	—	—	—	—	—	—
Cash dividends on common shares	—	—	—	—	—	—	(42,131)	—	(42,131)
Amounts reclassified into earnings, net of taxes	—	—	—	(1,817)	—	—	—	—	(1,817)
Changes in fair value of cash flow hedges, net of taxes	—	—	—	(18,827)	—	—	—	—	(18,827)
Foreign currency translation adjustment	—	—	—	43,135	—	—	—	—	43,135
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(117)	(117)
Net income (loss)	—	—	—	—	—	—	148,848	(9)	148,839
<b>Balances at June 30, 2019</b>	263,601,239	4,135,002	138,194	(23,487)	85,279	—	2,452,687	5,409	6,707,805
Sale of common shares held in trust	3,765	341	—	—	(3,765)	—	—	—	341
Vesting of restricted share units	6,827	—	—	—	—	—	—	—	—
Restricted share units released from deferred compensation plan	1,004	—	—	—	—	—	—	—	—
Tax withholdings related to net share settlements of equity-based compensation	(3,501)	—	(328)	—	—	—	—	—	(328)
Equity-based compensation	—	—	9,322	—	—	—	—	—	9,322
Exercise of warrants	6,770	—	—	—	—	—	—	—	—
Cash dividends on common shares	—	—	—	—	—	—	(42,133)	—	(42,133)
Amounts reclassified into earnings, net of taxes	—	—	—	(1,451)	—	—	—	—	(1,451)
Changes in fair value of cash flow hedges, net of taxes	—	—	—	(11,379)	—	—	—	—	(11,379)
Foreign currency translation adjustment	—	—	—	(24,911)	—	—	—	—	(24,911)
Net income (loss)	—	—	—	—	—	—	159,109	(35)	159,074
<b>Balances at September 30, 2019</b>	263,616,104	\$ 4,135,343	\$ 147,188	\$ (61,228)	81,514	\$ —	\$ 2,569,663	\$ 5,374	\$ 6,796,340

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 PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		TREASURY SHARES		RETAINED EARNINGS	NONCONTROLLING INTERESTS	TOTAL
	SHARES	AMOUNT		SHARES	AMOUNT					
<b>Balances at December 31, 2017</b>	263,494,670	\$ 4,187,568	\$ 115,743	\$ 108,413	166,133	\$ —	\$ 1,856,946	\$ 5,400	\$ 6,274,070	
Sale of common shares held in trust	26,849	1,947	—	—	(26,849)	—	—	—	1,947	
Vesting of restricted share units	452,700	—	—	—	—	—	—	—	—	
Vesting of performance-based restricted share units	154,181	—	—	—	—	—	—	—	—	
Restricted share units released from deferred compensation plan	114	—	—	—	—	—	—	—	—	
Tax withholdings related to net share settlements of equity-based compensation	(206,084)	—	(14,121)	—	—	—	—	—	(14,121)	
Equity-based compensation	—	—	7,991	—	—	—	—	—	7,991	
Repurchase of common shares	(594,474)	(42,040)	—	—	—	—	—	—	(42,040)	
Cash dividends on common shares	—	—	—	—	—	—	(36,814)	—	(36,814)	
Amounts reclassified into earnings, net of taxes	—	—	—	(1,303)	—	—	—	—	(1,303)	
Changes in fair value of cash flow hedges, net of taxes	—	—	—	9,114	—	—	—	—	9,114	
Foreign currency translation adjustment	—	—	—	(59,330)	—	—	—	—	(59,330)	
Cumulative effect adjustment from adoption of new accounting pronouncement	—	—	—	—	—	—	16,296	—	16,296	
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(103)	(103)	
Net income	—	—	—	—	—	—	124,869	163	125,032	
<b>Balances at March 31, 2018</b>	263,327,956	4,147,475	109,613	56,894	139,284	—	1,961,297	5,460	6,280,739	
Sale of common shares held in trust	2,638	199	—	—	(2,638)	—	—	—	199	
Vesting of restricted share units	15,723	—	—	—	—	—	—	—	—	
Restricted share units released from deferred compensation plan	4,311	—	—	—	—	—	—	—	—	
Tax withholdings related to net share settlements of equity-based compensation	(6,173)	—	(468)	—	—	—	—	—	(468)	
Equity-based compensation	—	—	8,968	—	—	—	—	—	8,968	
Exercise of options and warrants	17,571	—	—	—	—	—	—	—	—	
Cash dividends on common shares	—	—	—	—	—	—	(36,770)	—	(36,770)	
Amounts reclassified into earnings, net of taxes	—	—	—	(2,204)	—	—	—	—	(2,204)	
Changes in fair value of cash flow hedges, net of taxes	—	—	—	3,890	—	—	—	—	3,890	
Foreign currency translation adjustment	—	—	—	(43,474)	—	—	—	—	(43,474)	
Cumulative effect adjustment from adoption of new accounting pronouncement	—	—	—	—	—	—	(3,053)	—	(3,053)	
Net income	—	—	—	—	—	—	138,682	132	138,814	
<b>Balances at June 30, 2018</b>	263,362,026	4,147,674	118,113	15,106	136,646	—	2,060,156	5,592	6,346,641	
Sale of common shares held in trust	2,964	235	—	—	(2,964)	—	—	—	235	
Vesting of restricted share units	12,154	—	—	—	—	—	—	—	—	
Restricted share units released from deferred compensation plan	644	—	—	—	—	—	—	—	—	
Tax withholdings related to net share settlements of equity-based compensation	(4,878)	—	(387)	—	—	—	—	—	(387)	
Equity-based compensation	—	—	6,591	—	—	—	—	—	6,591	
Cash dividends on common shares	—	—	—	—	—	—	(36,863)	—	(36,863)	
Amounts reclassified into earnings, net of taxes	—	—	—	1,786	—	—	—	—	1,786	
Changes in fair value of cash flow hedges, net of taxes	—	—	—	856	—	—	—	—	856	
Foreign currency translation adjustment	—	—	—	35,455	—	—	—	—	35,455	
Net income (loss)	—	—	—	—	—	—	150,843	(77)	150,766	
<b>Balances at September 30, 2018</b>	263,372,910	\$ 4,147,909	\$ 124,317	\$ 53,203	133,682	\$ —	\$ 2,174,136	\$ 5,515	\$ 6,505,080	

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>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 433,490	\$ 414,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets and impairments	31,852	6,852
Depreciation	461,616	423,866
Amortization of intangibles	93,821	79,444
Amortization of leases	17,661	—
Deferred income taxes, net of acquisitions	41,481	45,765
Amortization of debt issuance costs	3,708	3,087
Share-based compensation	35,510	35,434
Interest accretion	12,283	11,135
Payment of contingent consideration recorded in earnings	—	(11)
Adjustments to contingent consideration	1,466	349
Other	(1,316)	180
Net change in operating assets and liabilities, net of acquisitions	53,858	17,080
Net cash provided by operating activities	<u>1,185,430</u>	<u>1,037,792</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for acquisitions, net of cash acquired	(420,392)	(500,064)
Capital expenditures for property and equipment	(433,526)	(373,512)
Capital expenditure for purchase of greenfield landfill site	(31,683)	—
Proceeds from disposal of assets	2,626	3,698
Change in restricted investments, net of interest income	(2,171)	—
Other	(526)	(568)
Net cash used in investing activities	<u>(885,672)</u>	<u>(870,446)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	1,021,795	165,737
Principal payments on notes payable and long-term debt	(1,184,165)	(387,700)
Payment of contingent consideration recorded at acquisition date	(1,621)	(5,459)
Change in book overdraft	1,911	(243)
Payments for repurchase of common shares	—	(42,040)
Payments for cash dividends	(126,348)	(110,447)
Tax withholdings related to net share settlements of equity-based compensation	(17,592)	(14,976)
Debt issuance costs	(5,938)	(2,839)
Proceeds from sale of common shares held in trust	4,036	2,381
Other	(117)	(103)
Net cash used in financing activities	<u>(308,039)</u>	<u>(395,689)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	143	(528)
Net decrease in cash, cash equivalents and restricted cash	(8,138)	(228,871)
Cash, cash equivalents and restricted cash at beginning of period	403,966	556,467
Plus: change in cash held for sale	—	192
Cash, cash equivalents and restricted cash at end of period	<u>\$ 395,828</u>	<u>\$ 327,788</u>
<b>Non-cash financing activities:</b>		
Liabilities assumed and notes payable issued to sellers of businesses acquired	\$ 94,009	\$ 100,753

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 and nine month periods ended September 30, 2019 and 2018. 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, 2018.

**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*

Lease Accounting. In February 2016, the Financial Accounting Standards Board (“FASB”) issued guidance that requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new standard was effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The FASB issued new guidance in July 2018, which amended the guidance to allow the issuer to elect from two adoption alternatives: 1) apply the new guidance at the beginning of the earliest comparative period presented; or 2) apply the new guidance at the effective date and recognize a cumulative-effect adjustment, without adjusting the comparative periods presented.

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

The Company adopted the new standard on January 1, 2019 and elected to apply the new guidance at the effective date and recognize a cumulative-effect adjustment, without adjusting the comparative periods presented. The Company applied the package of practical expedients to leases that commenced before the effective date whereby the Company elected not to reassess the following: (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) whether initial direct costs exist for any existing leases. The Company also applied the (1) practical expedient for land easements where the Company elected to not apply the leases standard to certain existing land easements at transition and (2) practical expedient to include both the lease and nonlease components as a single component and account for it as a lease. The Company has completed its assessment of the provisions of the lease accounting guidance and implementation of its leasing software solution to manage and account for leases under the new standard.

	As Reported December 31, 2018	Adoption of Lease Guidance Increase (Decrease)	Balance January 1, 2019
Operating lease right-of-use assets	\$ -	\$ 206,501	\$ 206,501
Total assets	\$ 12,627,329	\$ 206,501	\$ 12,833,830
Current portion of operating lease liabilities	\$ -	\$ 29,640	\$ 29,640
Total current liabilities	\$ 860,709	\$ 29,640	\$ 890,349
Long-term portion of operating lease liabilities	\$ -	\$ 180,005	\$ 180,005
Deferred income taxes	\$ 760,033	\$ (1,066)	\$ 758,967
Total liabilities	\$ 6,167,141	\$ 208,579	\$ 6,375,720
Retained earnings	\$ 2,264,510	\$ (2,078)	\$ 2,262,432
Total liabilities and equity	\$ 12,627,329	\$ 206,501	\$ 12,833,830

The adoption of the new standard did not have a material impact on the Company's consolidated statements of net income or consolidated statements of cash flows. See Note 9 for additional information and disclosures related to the adoption of this amended guidance.

Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. In August 2017, the FASB issued guidance which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this update are intended to better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The effective date for the standard is for fiscal years beginning after December 15, 2018. The adoption of this guidance, effective January 1, 2019, did not have a material impact on the Company's consolidated financial statements.

Derivatives and Hedging: Inclusion of the Secured Overnight Financing Rate ("SOFR") Overnight Index Swap ("OIS") Rate as a Benchmark Interest Rate for Hedge Accounting. As LIBOR is expected to no longer be published by 2021, the FASB issued guidance in October 2018 which added the OIS rate based on SOFR as an eligible benchmark interest rate in order to facilitate the LIBOR to SOFR transition and provide sufficient lead time for entities to prepare for changes to interest rate risk hedging strategies for both risk management and hedge accounting purposes. The Company adopted the new guidance effective January 1, 2019 on a prospective basis. The Company is developing a plan to transition its interest rate swaps from LIBOR to SOFR. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

SEC Simplified and Updated Disclosure Requirements. In August 2018, the U.S. Securities and Exchange Commission (the "SEC") amended its rules to require an analysis of changes in stockholders' equity in the financial

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statements included in Quarterly Reports on Form 10-Q. The analysis, which can be presented as a note or separate statement, is required for the current and comparative quarter and year-to-date interim periods. The amended rules became effective on November 15, 2018. In addition, the SEC's Division of Corporation Finance issued a Compliance and Disclosure Interpretation (the "CDI") that provides transition guidance related to this new disclosure. For calendar year-end companies, the CDI allows a filer the option to first present the changes in stockholders' equity in its Form 10-Q for the quarter ending March 31, 2019. The Company elected this option and has included the statement of shareholders' equity within this Form 10-Q.

SEC modernizes and simplifies certain Regulation S-K disclosure requirements. In March 2019, the SEC amended its rules to modernize and simplify certain disclosure requirements in Regulation S-K and the related rules and forms. These changes include, among other things, (1) allowing registrants to redact confidential information from most exhibits to their filings without filing a confidential treatment request; (2) revising the requirements for management's discussion and analysis to allow flexibility, including allowing registrants providing three years of financial statements to omit discussion of the earliest year and cross-reference its discussion in a previous filing; (3) removing the example risk factors in Regulation S-K to encourage more meaningful company-specific disclosure; (4) clarifying the description of property requirements to emphasize that those disclosures should only include properties that are material to the registrant; and (5) requiring XBRL data tagging for items on the cover pages of certain filings, as well as the use of hyperlinks for information that is incorporated by reference and available on EDGAR. The provisions regarding the redaction of confidential information in exhibits were effective upon publication in the Federal Register. The provisions requiring XBRL data tagging are subject to a three-year phase-in, depending on the filing status of the registrant, which, for the Company, were effective for the period ending June 30, 2019. All other provisions were effective on May 2, 2019.

*Accounting Standards Pending Adoption*

Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. In June 2016, the 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 will be effective for public business entities that are SEC filers for annual periods beginning after December 15, 2019 and interim periods within those years. Early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

**4. RECLASSIFICATION**

As disclosed within other footnotes of the financial statements, segment information reported in the Company's prior year has been reclassified to conform with the 2019 presentation.

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**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:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Commercial	\$ 408,415	\$ 369,543	\$ 1,186,565	\$ 1,080,261
Residential	355,574	300,026	1,024,105	881,927
Industrial and construction roll off	226,801	202,130	629,597	573,877
Total collection	990,790	871,699	2,840,267	2,536,065
Landfill	310,633	285,945	852,073	790,056
Transfer	209,585	187,961	575,337	495,317
Recycling	14,142	23,371	50,676	69,559
E&P	70,874	68,049	205,743	189,071
Intermodal and other	26,520	34,261	90,491	105,588
Intercompany	(210,100)	(190,176)	(587,868)	(524,447)
<b>Total</b>	<b>\$ 1,412,444</b>	<b>\$ 1,281,110</b>	<b>\$ 4,026,719</b>	<b>\$ 3,661,209</b>

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 June 30, 2019 was recognized as revenue during the three months ended September 30, 2019 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 approximately \$16,900 of deferred sales incentives at both September 30, 2019 and December 31, 2018.

**6. LANDFILL ACCOUNTING**

At September 30, 2019, the Company's landfills consisted of 85 owned landfills, seven 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 \$2,961,560 at September 30, 2019. 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

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capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities at the landfills it operates under life-of-site operating agreements.

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

Based on remaining permitted capacity as of September 30, 2019, 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 27 years. As of September 30, 2019, 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 30 years, with lives ranging from approximately 1 to 177 years.

During the nine months ended September 30, 2019 and 2018, the Company expensed \$169,064 and \$153,010, respectively, or an average of \$4.77 and \$4.58 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 2019 and 2018 "layers" for final capping, closure and post-closure obligations was 4.75% for both years, which reflects the Company's long-term credit adjusted risk free rate as of the end of both 2018 and 2017. The Company's inflation rate assumption is 2.5% for the years ending December 31, 2019 and 2018. The resulting final capping, closure and post-closure obligations are recorded on the condensed consolidated balance sheet along with an offsetting addition to site costs which is amortized to depletion expense as the remaining landfill airspace is consumed. Interest is accreted on the recorded liability using the corresponding discount rate. During the nine months ended September 30, 2019 and 2018, the Company expensed \$10,656 and \$9,583 respectively, or an average of \$0.30 and \$0.29 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

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The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2018 to September 30, 2019:

Final capping, closure and post-closure liability at December 31, 2018	\$ 251,782
Liabilities incurred	15,573
Accretion expense associated with landfill obligations	10,656
Closure payments	(1,203)
Assumption of closure liabilities from acquisitions	8,707
Foreign currency translation adjustment	1,146
Final capping, closure and post-closure liability at September 30, 2019	<u>\$ 286,661</u>

Liabilities incurred of \$15,573 for the nine months ended September 30, 2019, represent non-cash increases 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.

At September 30, 2019 and December 31, 2018, \$11,538 and \$12,325, respectively, of the Company's restricted cash balance and \$47,993 and \$44,939, respectively, of the Company's restricted investments balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

## 7. ACQUISITIONS

The Company acquired 13 individually immaterial non-hazardous solid waste collection, transfer and disposal businesses during the nine months ended September 30, 2019. The total acquisition-related costs incurred during the nine months ended September 30, 2019 for these acquisitions was \$8,057. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

The Company acquired 15 individually immaterial non-hazardous solid waste collection, recycling, transfer and disposal businesses during the nine months ended September 30, 2018. The purchase price for one of these acquisitions included contingent consideration of \$11,593, representing the fair value of up to \$12,582 of amounts payable to the former owners based on the achievement of certain operating targets specified in the asset purchase agreement. The fair value of the contingent consideration was determined using probability assessments of the expected future cash flows over the three-year period in which the obligation is expected to be settled, and applying a discount rate of 2.7%. As of September 30, 2019, the obligation recognized at the purchase date has not materially changed. Any changes in the fair value of the contingent consideration subsequent to the acquisition date will be charged or credited to expense until the contingency is settled. The total acquisition-related costs incurred during the nine months ended September 30, 2018 for these acquisitions was \$4,907. 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.

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The following table summarizes the consideration transferred to acquire these businesses and the preliminary amounts of identifiable assets acquired and liabilities assumed at the acquisition dates for the acquisitions consummated in the nine months ended September 30, 2019 and 2018:

	2019 <u>Acquisitions</u>	2018 <u>Acquisitions</u>
Fair value of consideration transferred:		
Cash	\$ 420,392	\$ 500,064
Debt assumed	<u>50,574</u>	<u>65,010</u>
	<u>470,966</u>	<u>565,074</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired:		
Accounts receivable	15,042	12,817
Prepaid expenses and other current assets	5,079	2,355
Property and equipment	210,105	346,275
Long-term franchise agreements and contracts	14,838	10,888
Customer lists	28,467	27,330
Permits and other intangibles	17,835	31,183
Other assets	7	19
Accounts payable and accrued liabilities	(11,310)	(3,982)
Deferred revenue	(9,128)	(4,169)
Contingent consideration	(1,003)	(11,669)
Other long-term liabilities	(8,707)	(15,532)
Deferred income taxes	<u>(13,287)</u>	<u>(391)</u>
Total identifiable net assets	<u>247,938</u>	<u>395,124</u>
Goodwill	<u>\$ 223,028</u>	<u>\$ 169,950</u>

Goodwill acquired during the nine months ended September 30, 2019 and 2018, totaling \$81,903 and \$169,559, respectively, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to ten individually immaterial acquisitions completed during the twelve months ended September 30, 2019, 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 ten acquisitions are not expected to be material to the Company's financial position.

The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2019, is \$16,469, of which \$1,427 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2018, is \$14,015, of which \$1,198 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisitions of these businesses.

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**8. INTANGIBLE ASSETS, NET**

Intangible assets, exclusive of goodwill, consisted of the following at September 30, 2019:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 487,001	\$ (183,121)	\$ —	\$ 303,880
Customer lists	561,642	(288,732)	—	272,910
Permits and other	358,314	(60,290)	—	298,024
	<u>1,406,957</u>	<u>(532,143)</u>	<u>—</u>	<u>874,814</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>\$ 1,667,686</u>	<u>\$ (532,143)</u>	<u>\$ (38,507)</u>	<u>\$ 1,097,036</u>

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the nine months ended September 30, 2019 was 19.2 years. The weighted-average amortization period of customer lists acquired during the nine months ended September 30, 2019 was 10.0 years. The weighted-average amortization period of finite-lived permits and other intangibles acquired during the nine months ended September 30, 2019 was 36.8 years.

Intangible assets, exclusive of goodwill, consisted of the following at December 31, 2018:

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 476,833	\$ (157,986)	\$ —	\$ 318,847
Customer lists	530,614	(232,461)	—	298,153
Permits and other	338,601	(49,195)	—	289,406
	<u>1,346,048</u>	<u>(439,642)</u>	<u>—</u>	<u>906,406</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>\$ 1,606,777</u>	<u>\$ (439,642)</u>	<u>\$ (38,507)</u>	<u>\$ 1,128,628</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, 2019	\$ 125,699
For the year ending December 31, 2020	\$ 113,177
For the year ending December 31, 2021	\$ 98,310
For the year ending December 31, 2022	\$ 84,543
For the year ending December 31, 2023	\$ 71,283

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**9. LEASES**

The Company rents certain equipment and facilities under both short-term agreements and non-cancelable operating lease agreements. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

The lease guidance requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company’s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.

The lease term for the Company’s leases includes the noncancelable period of the lease, plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Lease payments included in the measurement of the lease liability comprise fixed payments or variable lease payments. The variable lease payments take into account annual changes in the consumer price index and common area maintenance charges, if known.

ROU assets for operating leases are periodically reviewed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, Property, Plant, and Equipment – Overall, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company has elected to apply the short-term lease recognition and measurement exemption allowed for in the lease accounting standard. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

Lease cost for operating leases for the three and nine months ended September 30, 2019 was as follows:

	<b>Three Months Ended September 30, 2019</b>	<b>Nine Months Ended September 30, 2019</b>
Operating lease cost	\$ 9,696	\$ 28,886

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Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows:

	<u>Nine Months Ended September 30, 2019</u>
<b>Operating cash flow information:</b>	
Cash paid for amounts included in the measurement of lease liabilities	\$ 28,374
<b>Non-cash activity:</b>	
Right-of-use assets obtained in exchange for lease liabilities	\$ 7,363

Weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	<u>Nine Months Ended September 30, 2019</u>
Weighted average remaining lease term	8.9 years
Weighted average discount rate	3.99 %

As of September 30, 2019, future minimum lease payments, as calculated under the new lease guidance and reconciled to the operating lease liability, are as follows:

Last 3 months of 2019	\$ 9,662
2020	36,429
2021	33,160
2022	31,906
2023	28,701
Thereafter	96,292
Minimum lease payments	<u>236,150</u>
Less: imputed interest	(39,641)
Present value of minimum lease payments	<u>196,509</u>
Less: current portion of operating lease liabilities	(30,162)
Long-term portion of operating lease liabilities	<u>\$ 166,347</u>

As of December 31, 2018, minimum lease payments under non-cancelable operating leases by period were expected to be as follows:

2019	\$ 37,902
2020	35,204
2021	32,259
2022	30,974
2023	27,882
Thereafter	94,205
	<u>\$ 258,426</u>

A summary of rent expense for both short-term agreements and non-cancelable operating lease agreements for the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Rent expense	\$ 42,646	\$ 43,383

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**10. LONG-TERM DEBT**

The following table presents the Company's long-term debt as of September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Revolver under Credit Agreement, bearing interest ranging from 3.05% to 3.14% <sup>(a)</sup>	\$ 427,806	\$ 481,610
Term loan under Credit Agreement, bearing interest at 3.14% <sup>(a)</sup>	700,000	1,237,500
5.25% Senior Notes due 2019 <sup>(b)</sup>	175,000	175,000
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	—
Tax-exempt bonds	—	15,930
Notes payable to sellers and other third parties, bearing interest ranging from 2.75% to 10.90%, principal and interest payments due periodically with due dates ranging from 2019 to 2036 <sup>(a)</sup>	9,705	14,653
	<u>4,062,511</u>	<u>4,174,693</u>
Less – current portion	(502)	(1,786)
Less – debt issuance costs	(22,604)	(19,442)
	<u>\$ 4,039,405</u>	<u>\$ 4,153,465</u>

(a) Interest rates represent the interest rates incurred at September 30, 2019.

(b) The Company has recorded the 2019 Senior Notes in long-term in the table above as the Company has the intent and ability to redeem the 2019 Senior Notes on November 1, 2019 using borrowings under the Credit Agreement.

2029 Senior Notes

On April 16, 2019, the Company completed an underwritten public offering of \$500,000 aggregate principal amount of 3.50% Senior Notes due 2029 (the "2029 Senior Notes"). The 2029 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 Second Supplemental Indenture, dated as of April 16, 2019 (the Base Indenture as so supplemented, the "Indenture").

The Company will pay interest on the 2029 Senior Notes semi-annually, commencing on November 1, 2019, and the 2029 Senior Notes will mature on May 1, 2029. The 2029 Senior Notes are senior unsecured obligations, ranking equally in right of payment with the Company's other existing and future unsubordinated debt and senior to any of the Company's future subordinated debt. The 2029 Senior Notes are not guaranteed by any of the Company's subsidiaries.

The Company may redeem some or all of the 2029 Senior Notes at its option prior to February 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 2029 Senior Notes redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the 2029 Senior Notes redeemed, plus accrued and unpaid interest to, but

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excluding, the redemption date. Commencing on February 1, 2029 (three months before the maturity date), the Company may redeem some or all of the 2029 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the 2029 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 2029 Senior Notes to ensure that the net amounts received by each holder of the 2029 Senior 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 2029 Senior 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 2029 Senior Notes having power to tax, and the Company cannot avoid such payments of Additional Amounts through reasonable measures, then the Company may redeem the 2029 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 2029 Senior Notes may require the Company to repurchase all or a portion of the 2029 Senior Notes for cash at a price equal to 101% of the aggregate principal amount of such 2029 Senior 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 2029 Senior Notes. As of September 30, 2019, 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 2029 Senior 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 2029 Senior Notes. Upon such a declaration, such principal and accrued interest on all of the 2029 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 2029 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 2029 Senior Notes.

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Credit Agreement

Details of the Credit Agreement are as follows:

	September 30, 2019	December 31, 2018
<i>Revolver under Credit Agreement</i>		
Available	\$ 1,012,786	\$ 955,779
Letters of credit outstanding	\$ 121,908	\$ 125,111
Total amount drawn, as follows:	\$ 427,806	\$ 481,610
Amount drawn - U.S. LIBOR rate loan	\$ 382,500	\$ 357,000
Interest rate applicable - U.S. LIBOR rate loan	3.14 %	3.62 %
Amount drawn – Canadian bankers’ acceptance	\$ 45,306	\$ 124,610
Interest rate applicable – Canadian bankers’ acceptance	3.05 %	3.40 %
Commitment – rate applicable	0.12 %	0.12 %
<i>Term loan under Credit Agreement</i>		
Amount drawn – U.S. based LIBOR loan	\$ 700,000	\$ 1,237,500
Interest rate applicable – U.S. based LIBOR loan	3.14 %	3.62 %

Tax Exempt Bonds

In January 2019, the Company gave notice to redeem its LeMay Washington Bond with a remaining principal balance of \$15,930. The Company paid in full the principal and accrued interest on this bond on March 6, 2019.

**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 operating segments and its E&P segment, which includes the majority of the Company’s E&P waste treatment and disposal operations. The Company’s five geographic operating segments and its E&P segment comprise the Company’s reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. In the first quarter of 2019, the Company moved two districts from the Eastern segment to the Central segment because their locations in Iowa were closer in proximity to operations in the Company’s Central segment. The segment information presented herein reflects the realignment of these districts.

Under the current orientation, 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 of Alberta, British Columbia, Manitoba, Ontario, Québec and Saskatchewan. The E&P

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segment services E&P customers located in Arkansas, 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 and nine months ended September 30, 2019 and 2018, is shown in the following tables:

Three Months Ended September 30, 2019	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Eastern	\$ 399,936	\$ (69,049)	\$ 330,887	\$ 88,101
Southern	347,630	(42,442)	305,188	77,406
Western	324,859	(35,651)	289,208	90,059
Central	262,737	(32,663)	230,074	81,746
Canada	217,879	(27,059)	190,820	66,794
E&P	69,503	(3,236)	66,267	35,803
Corporate <sup>(a)</sup>	—	—	—	(446)
	<u>\$ 1,622,544</u>	<u>\$ (210,100)</u>	<u>\$ 1,412,444</u>	<u>\$ 439,463</u>

Three Months Ended September 30, 2018	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Eastern	\$ 349,212	\$ (64,347)	\$ 284,865	\$ 82,733
Southern	321,306	(38,266)	283,040	70,159
Western	303,614	(32,596)	271,018	86,174
Central	218,124	(28,221)	189,903	71,276
Canada	211,682	(24,628)	187,054	68,819
E&P	67,348	(2,118)	65,230	35,099
Corporate <sup>(a)</sup>	—	—	—	(8,286)
	<u>\$ 1,471,286</u>	<u>\$ (190,176)</u>	<u>\$ 1,281,110</u>	<u>\$ 405,974</u>

Nine Months Ended September 30, 2019	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Eastern	\$ 1,137,258	\$ (189,924)	\$ 947,334	\$ 250,106
Southern	1,011,572	(121,040)	890,532	226,294
Western	922,737	(101,552)	821,185	253,504
Central	715,997	(89,685)	626,312	219,280
Canada	624,470	(76,776)	547,694	193,702
E&P	202,553	(8,891)	193,662	100,845
Corporate <sup>(a)</sup>	—	—	—	(11,751)
	<u>\$ 4,614,587</u>	<u>\$ (587,868)</u>	<u>\$ 4,026,719</u>	<u>\$ 1,231,980</u>

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Nine Months Ended September 30, 2018	Revenue	Intercompany Revenue <sup>(b)</sup>	Reported Revenue	Segment EBITDA <sup>(c)</sup>
Eastern	\$ 953,165	\$ (164,253)	\$ 788,912	\$ 222,772
Southern	951,313	(111,824)	839,489	207,853
Western	874,464	(94,584)	779,880	240,006
Central	604,823	(77,337)	527,486	195,018
Canada	615,157	(71,290)	543,867	195,390
E&P	186,734	(5,159)	181,575	95,009
Corporate <sup>(a)</sup>	—	—	—	(14,368)
	<u>\$ 4,185,656</u>	<u>\$ (524,447)</u>	<u>\$ 3,661,209</u>	<u>\$ 1,141,680</u>

- (a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other administrative functions. Amounts reflected are net of allocations to the six operating segments.
- (b) Intercompany revenues reflect each segment's total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.
- (c) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in the Company's most recent Annual Report on Form 10-K.

Total assets for each of the Company's reportable segments at September 30, 2019 and December 31, 2018, were as follows:

	September 30, 2019	December 31, 2018
Eastern	\$ 2,737,208	\$ 2,673,316
Southern	2,994,260	2,892,994
Western	1,697,050	1,596,129
Central	1,884,207	1,506,326
Canada	2,454,152	2,412,971
E&P	962,761	969,808
Corporate	540,597	575,785
Total Assets	<u>\$ 13,270,235</u>	<u>\$ 12,627,329</u>

The following tables show changes in goodwill during the nine months ended September 30, 2019 and 2018, by reportable segment:

	Eastern	Southern	Western	Central	Canada	E&P	Total
Balance as of December 31, 2018	\$ 1,143,355	\$ 1,517,610	\$ 398,174	\$ 523,566	\$ 1,448,980	\$ —	\$ 5,031,685
Goodwill transferred	(16,869)	—	—	16,869	—	—	—
Goodwill acquired	22,146	10,329	1,334	189,194	25	—	223,028
Goodwill divested	—	(845)	—	—	—	—	(845)
Impact of changes in foreign currency	—	—	—	—	43,688	—	43,688
Balance as of September 30, 2019	<u>\$ 1,148,632</u>	<u>\$ 1,527,094</u>	<u>\$ 399,508</u>	<u>\$ 729,629</u>	<u>\$ 1,492,693</u>	<u>\$ —</u>	<u>\$ 5,297,556</u>
	<b>Eastern</b>	<b>Southern</b>	<b>Western</b>	<b>Central</b>	<b>Canada</b>	<b>E&amp;P</b>	<b>Total</b>
Balance as of December 31, 2017	\$ 804,133	\$ 1,436,320	\$ 397,508	\$ 468,275	\$ 1,575,538	\$ —	\$ 4,681,774
Goodwill transferred	(16,869)	—	—	16,869	—	—	—
Goodwill acquired	122,136	4,800	666	42,197	151	—	169,950
Goodwill adjustment for assets held for sale	—	10,194	—	—	—	—	10,194
Impact of changes in foreign currency	—	—	—	—	(48,622)	—	(48,622)
Balance as of September 30, 2018	<u>\$ 909,400</u>	<u>\$ 1,451,314</u>	<u>\$ 398,174</u>	<u>\$ 527,341</u>	<u>\$ 1,527,067</u>	<u>\$ —</u>	<u>\$ 4,813,296</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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Eastern segment EBITDA	\$ 88,101	\$ 82,733	\$ 250,106	\$ 222,772
Southern segment EBITDA	77,406	70,159	226,294	207,853
Western segment EBITDA	90,059	86,174	253,504	240,006
Central segment EBITDA	81,746	71,276	219,280	195,018
Canada segment EBITDA	66,794	68,819	193,702	195,390
E&P segment EBITDA	35,803	35,099	100,845	95,009
Subtotal reportable segments	439,909	414,260	1,243,731	1,156,048
Unallocated corporate overhead	(446)	(8,286)	(11,751)	(14,368)
Depreciation	(157,994)	(148,232)	(461,616)	(423,866)
Amortization of intangibles	(31,934)	(26,871)	(93,821)	(79,444)
Impairments and other operating items	(12,935)	1,998	(32,949)	(6,106)
Interest expense	(36,780)	(32,078)	(111,313)	(96,874)
Interest income	2,056	1,467	7,186	3,677
Other income (expense), net	(19)	600	4,562	2,053
Income before income tax provision	<u>\$ 201,857</u>	<u>\$ 202,858</u>	<u>\$ 544,029</u>	<u>\$ 541,120</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 September 30, 2019 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

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At September 30, 2019, the Company's derivative instruments included 16 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
April 2016	\$ 100,000	1.000 %	1-month LIBOR	February 2017	February 2020
June 2016	\$ 75,000	0.850 %	1-month LIBOR	February 2017	February 2020
June 2016	\$ 150,000	0.950 %	1-month LIBOR	January 2018	January 2021
June 2016	\$ 150,000	0.950 %	1-month LIBOR	January 2018	January 2021
July 2016	\$ 50,000	0.900 %	1-month LIBOR	January 2018	January 2021
July 2016	\$ 50,000	0.890 %	1-month LIBOR	January 2018	January 2021
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.

Another of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the price of diesel fuel. The Company's strategy to achieve that objective involves periodically entering into fuel hedges that are specifically designated to certain forecasted diesel fuel purchases and accounted for as cash flow hedges. The Company had one fuel hedge agreement in place at September 30, 2018, which expired at December 31, 2018. At September 30, 2019, the Company had no fuel hedge agreements in place.

The fair values of derivative instruments designated as cash flow hedges as of September 30, 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 <sup>(a)</sup>	\$ 2,954	Accrued liabilities <sup>(a)</sup>	\$ (2,148)
	Other assets, net	842	Other long-term liabilities	(53,288)
Total derivatives designated as cash flow hedges		\$ 3,796		\$ (55,436)

(a) Represents the estimated amount of the existing unrealized gains and losses, respectively, on interest rate swaps as of September 30, 2019 (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, 2018, were as follows:

Derivatives Designated as Cash Flow Hedges	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Prepaid expenses and other current assets <sup>(a)</sup>	\$ 10,737	Other long-term liabilities	\$ (9,314)
	Other assets, net	10,675		
Total derivatives designated as cash flow hedges		\$ 21,412		\$ (9,314)

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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 and nine months ended September 30, 2019 and 2018:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax <sup>(a)</sup>		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax <sup>(b), (c)</sup>	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2019	2018		2019	2018
Interest rate swaps	\$ (11,379)	\$ 634	Interest expense	\$ (1,451)	\$ 3,145
Fuel hedges	—	222	Cost of operations	—	(1,359)
<b>Total</b>	<b>\$ (11,379)</b>	<b>\$ 856</b>		<b>\$ (1,451)</b>	<b>\$ 1,786</b>

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCIL on Derivatives, Net of Tax <sup>(a)</sup>		Statement of Net Income Classification	Amount of (Gain) or Loss Reclassified from AOCIL into Earnings, Net of Tax <sup>(b), (c)</sup>	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2019	2018		2019	2018
Interest rate swaps	\$ (41,761)	\$ 11,634	Interest expense	\$ (5,085)	\$ 1,769
Fuel hedges	—	2,226	Cost of operations	—	(3,490)
<b>Total</b>	<b>\$ (41,761)</b>	<b>\$ 13,860</b>		<b>\$ (5,085)</b>	<b>\$ (1,721)</b>

(a) In accordance with the derivatives and hedging guidance, the changes in fair values of interest rate swaps and fuel hedges have been recorded in equity as a component of AOCIL. As the critical terms of the interest rate swaps match the underlying debt being hedged, all unrealized changes in fair value are recorded in AOCIL. Because changes in the actual price of diesel fuel and changes in the DOE index price did not offset exactly each reporting period, the Company assessed whether the fuel hedges were highly effective using the cumulative dollar offset approach.

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

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

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

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**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, interest rate swaps and fuel hedges. As of September 30, 2019 and December 31, 2018, 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 September 30, 2019 and December 31, 2018, based on current borrowing rates, current remaining average life to maturity and borrower credit quality for similar types of borrowing arrangements, and are classified as Level 2 within the fair value hierarchy. The carrying values and fair values of the Company's debt instruments where the carrying values do not approximate their fair values as of September 30, 2019 and December 31, 2018, are as follows:

	Carrying Value at		Fair Value* at	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
5.25% Senior Notes due 2019	\$ 175,000	\$ 175,000	\$ 175,361	\$ 177,870
4.64% Senior Notes due 2021	\$ 100,000	\$ 100,000	\$ 102,783	\$ 101,292
2.39% Senior Notes due 2021	\$ 150,000	\$ 150,000	\$ 149,210	\$ 144,305
3.09% Senior Notes due 2022	\$ 125,000	\$ 125,000	\$ 126,640	\$ 120,682
2.75% Senior Notes due 2023	\$ 200,000	\$ 200,000	\$ 200,664	\$ 188,363
3.24% Senior Notes due 2024	\$ 150,000	\$ 150,000	\$ 153,789	\$ 142,877
3.41% Senior Notes due 2025	\$ 375,000	\$ 375,000	\$ 389,912	\$ 355,541
3.03% Senior Notes due 2026	\$ 400,000	\$ 400,000	\$ 407,943	\$ 367,143
3.49% Senior Notes due 2027	\$ 250,000	\$ 250,000	\$ 261,260	\$ 234,243
4.25% Senior Notes due 2028	\$ 500,000	\$ 500,000	\$ 567,850	\$ 506,100
3.50% Senior Notes due 2029	\$ 500,000	\$ —	\$ 537,550	\$ —

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

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

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**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 and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Numerator:</b>				
Net income attributable to Waste Connections for basic and diluted earnings per share	\$ 159,109	\$ 150,843	\$ 433,579	\$ 414,393
<b>Denominator:</b>				
Basic shares outstanding	263,853,681	263,628,838	263,768,258	263,657,274
Dilutive effect of equity-based awards	733,775	765,919	705,087	719,046
Diluted shares outstanding	264,587,456	264,394,757	264,473,345	264,376,320

**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 September 30, 2018, the Company's derivative instruments included pay-fixed, receive-variable interest rate swaps and pay-fixed, receive-variable diesel fuel hedges. At September 30, 2019 and December 31, 2018, 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. The Company uses a discounted cash flow ("DCF") model to determine the estimated fair value of the diesel fuel hedges. The assumptions used in preparing the DCF model include: (i) estimates for the forward DOE index curve; and (ii) the discount rate based on risk-free interest rates over the term of the hedge contracts. The DOE index curve used in the DCF model was obtained from financial institutions that trade these contracts. Significant increases (decreases) in the forward DOE index curve would result in a significantly higher (lower) fair value measurement. For the Company's interest rate swaps and fuel hedges, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position and the counterparties' creditworthiness in its determination of the fair value measurement of these instruments in a net asset position. The Company's restricted 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 September 30, 2019 and December 31, 2018, were as follows:

	<u>Fair Value Measurement at September 30, 2019 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest rate swap derivative instruments – net liability position	\$ (51,640)	\$ —	\$ (51,640)	\$ —
Restricted cash and investments	\$ 142,291	\$ —	\$ 142,291	\$ —
Contingent consideration	\$ (56,954)	\$ —	\$ —	\$ (56,954)

	<u>Fair Value Measurement at December 31, 2018 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Interest rate swap derivative instruments – net asset position	\$ 12,098	\$ —	\$ 12,098	\$ —
Restricted cash and investments	\$ 131,422	\$ —	\$ 131,422	\$ —
Contingent consideration	\$ (54,615)	\$ —	\$ —	\$ (54,615)

The following table summarizes the changes in the fair value for Level 3 derivatives for the nine months ended September 30, 2019 and 2018:

	<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ —	\$ 3,880
Realized gains included in earnings	—	(2,837)
Unrealized gains included in AOCIL	—	2,661
Ending balance	<u>\$ —</u>	<u>\$ 3,704</u>

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the nine months ended September 30, 2019 and 2018:

	<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 54,615	\$ 47,285
Contingent consideration recorded at acquisition date	1,003	11,669
Payment of contingent consideration recorded at acquisition date	(1,621)	(5,459)
Payment of contingent consideration recorded in earnings	—	(11)
Adjustments to contingent consideration	1,466	349
Interest accretion expense	1,383	1,308
Foreign currency translation adjustment	108	(117)
Ending balance	<u>\$ 56,954</u>	<u>\$ 55,024</u>

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

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps and fuel hedges that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three and nine months ended September 30, 2019 and 2018 are as follows:

	<u>Three Months Ended September 30, 2019</u>		
	<u>Gross</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
Interest rate swap amounts reclassified into interest expense	\$ (1,974)	\$ 523	\$ (1,451)
Changes in fair value of interest rate swaps	(15,482)	4,103	(11,379)
Foreign currency translation adjustment	(24,911)	—	(24,911)
	<u>\$ (42,367)</u>	<u>\$ 4,626</u>	<u>\$ (37,741)</u>

	<u>Three Months Ended September 30, 2018</u>		
	<u>Gross</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
Interest rate swap amounts reclassified into interest expense	\$ 4,279	\$ (1,134)	\$ 3,145
Fuel hedge amounts reclassified into cost of operations	(1,810)	451	(1,359)
Changes in fair value of interest rate swaps	863	(229)	634
Changes in fair value of fuel hedges	295	(73)	222
Foreign currency translation adjustment	35,455	—	35,455
	<u>\$ 39,082</u>	<u>\$ (985)</u>	<u>\$ 38,097</u>

	<u>Nine Months Ended September 30, 2019</u>		
	<u>Gross</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
Interest rate swap amounts reclassified into interest expense	\$ (6,918)	\$ 1,833	\$ (5,085)
Changes in fair value of interest rate swaps	(56,818)	15,057	(41,761)
Foreign currency translation adjustment	60,404	—	60,404
	<u>\$ (3,332)</u>	<u>\$ 16,890</u>	<u>\$ 13,558</u>

	<u>Nine Months Ended September 30, 2018</u>		
	<u>Gross</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
Interest rate swap amounts reclassified into interest expense	\$ 2,407	\$ (638)	\$ 1,769
Fuel hedge amounts reclassified into cost of operations	(4,647)	1,157	(3,490)
Changes in fair value of interest rate swaps	15,828	(4,194)	11,634
Changes in fair value of fuel hedges	2,956	(730)	2,226
Foreign currency translation adjustment	(67,349)	—	(67,349)
	<u>\$ (50,805)</u>	<u>\$ (4,405)</u>	<u>\$ (55,210)</u>

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A rollforward of the amounts included in AOCIL, net of taxes, for the nine months ended September 30, 2019 and 2018, is as follows:

	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2018	\$ 8,892	\$ (83,678)	\$ (74,786)
Amounts reclassified into earnings	(5,085)	—	(5,085)
Changes in fair value	(41,761)	—	(41,761)
Foreign currency translation adjustment	—	60,404	60,404
Balance at September 30, 2019	<u>\$ (37,954)</u>	<u>\$ (23,274)</u>	<u>\$ (61,228)</u>

	Fuel Hedges	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	\$ 2,907	\$ 13,951	\$ 91,555	\$ 108,413
Amounts reclassified into earnings	(3,490)	1,769	—	(1,721)
Changes in fair value	2,226	11,634	—	13,860
Foreign currency translation adjustment	—	—	(67,349)	(67,349)
Balance at September 30, 2018	<u>\$ 1,643</u>	<u>\$ 27,354</u>	<u>\$ 24,206</u>	<u>\$ 53,203</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 nine-month period ended September 30, 2019, is presented below:

	<u>Unvested Shares</u>
Outstanding at December 31, 2018	987,563
Granted	341,459
Forfeited	(46,503)
Vested and issued	(413,877)
Outstanding at September 30, 2019	<u>868,642</u>

The weighted average grant-date fair value per share for the common shares underlying the RSUs granted during the nine-month period ended September 30, 2019 was \$81.15.

Recipients of 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 September 30, 2019 and 2018, the Company had 247,999 and 264,374 vested deferred RSUs outstanding, respectively.

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*Performance-Based Restricted Share Units*

A summary of activity related to performance-based restricted share units (“PSUs”) during the nine-month period ended September 30, 2019, is presented below:

	<u>Unvested Shares</u>
Outstanding at December 31, 2018	532,086
Granted	152,656
Vested and issued	<u>(180,258)</u>
Outstanding at September 30, 2019	<u>504,484</u>

During the nine months ended September 30, 2019, 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, 2021. 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 nine-month period ended September 30, 2019 was \$80.85.

*Deferred Share Units*

A summary of activity related to deferred share units (“DSUs”) during the nine-month period ended September 30, 2019, is presented below:

	<u>Vested Shares</u>
Outstanding at December 31, 2018	17,176
Granted	3,804
Cash settled	<u>(2,010)</u>
Outstanding at September 30, 2019	<u>18,970</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 nine-month period ended September 30, 2019 was \$83.80.

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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 nine-month period ended September 30, 2019, is presented below:

Outstanding at December 31, 2018	122,259
Cash settled	(46,023)
Forfeited	(2,352)
Outstanding at September 30, 2019	<u>73,884</u>

A summary of vesting activity related to Progressive Waste RSUs during the nine-month period ended September 30, 2019, is presented below:

Vested at December 31, 2018	120,153
Vested over remaining service period	2,106
Cash settled	(46,023)
Forfeited	(2,352)
Vested at September 30, 2019	<u>73,884</u>

No RSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. During the nine months ended September 30, 2019, 964 Progressive Waste RSUs were forfeited and have been redistributed to the other remaining active participants. All remaining RSUs were vested as of March 31, 2019.

*Other Performance-Based Restricted Share Units*

PSU grants outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for cash settlement only to employees upon vesting based on achieving target results. A summary of activity related to Progressive Waste PSUs during the nine-month period ended September 30, 2019, is presented below:

Outstanding at December 31, 2018	22,791
Cash settled, net of notional dividend	(22,791)
Outstanding at September 30, 2019	<u>—</u>

No PSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. All outstanding PSUs were vested as of December 31, 2018.

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*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 nine-month period ended September 30, 2019, is presented below:

Outstanding at December 31, 2018	165,156
Cash settled	<u>(31,097)</u>
Outstanding at September 30, 2019	<u>134,059</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.

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.

During the nine months ended September 30, 2019, the Company did not repurchase any common shares pursuant to its NCIB in effect during such period. For the nine months ended September 30, 2018, the Company repurchased 594,474 common shares pursuant to its NCIB in effect during such period at an aggregate cost of \$42,040. As of September 30, 2019, the remaining maximum number of shares available for repurchase under the current NCIB was 13,184,474.

Cash Dividend

In October 2018, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.02, from \$0.14 to \$0.16 per Company common share. Cash dividends of \$126,348 and \$110,447 were paid during the nine months ended September 30, 2019 and 2018, respectively.

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**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 September 30, 2019, 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, 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

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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 is now not expected to conclude until the end of 2019, and in March 2017, the PRPs provided the EPA with notice that the allocation 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 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.

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 three million tons of materials for disposal and beneficial use in 2016. 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

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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.

On December 6, 2017, the County filed a demurrer to the Complaint arguing that the Complaint is legally insufficient to proceed. At an initial trial-setting hearing on February 8, 2018, the Superior Court suggested that the Complaint should be amended to separate the claims seeking a writ of mandamus against the County. CCL filed its First Amended Complaint on March 23, 2018. The County filed its demurrer and motion to strike challenging portions of the First Amended Complaint on April 25, 2018. CCL filed its combined opposition to the demurrer and motion to strike on July 3, 2018. The County filed a combined reply brief on July 10, 2018. 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 set a trial date of June 18, 2019 for the remaining mandamus claims. 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. On October 5, 2018, the Court of Appeal decided to hear CCL's appeal and, after full briefing by the parties, heard oral argument on January 9, 2019.

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.

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. 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.

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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. Just prior to the August 23, 2019 trial, the court issued a tentative ruling that upheld most of the environmental analysis, with one exception relating to mitigation for odor impacts, and also asking the parties for further information relating to air quality monitoring. 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 did not issue a tentative ruling at the September 13, 2019 hearing, additional oral argument was had, and the court took the matter under submission. The court issued a final ruling on October 10, 2019 denying the writ petition in full and directing the County to prepare a proposed judgment, serve it on the opposing parties for approval as to form, and lodge it with the court. Once the court issues a notice of entry of judgment, the petitioners may file an appeal from the judgment within 60 days or the judgment will be final.

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.

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

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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 29, 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. 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.

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.

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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. All respondents’ opposition briefs are currently due by November 20, 2019, and the Waterford and Halfmoon Petitioners’ reply briefs will be due ten days from service of same.

**19. SUBSEQUENT EVENTS**

On October 28, 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, and then declared a regular quarterly cash dividend of \$0.185 per Company common share. The dividend will be paid on November 26, 2019, to shareholders of record on the close of business on November 12, 2019.