

**These financial statements for Waste Connections, Inc. are also included in the Form 10-Q for the quarterly period ended September 30, 2021 filed on SEDAR on October 28, 2021 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,<br>2021 | December 31,<br>2020 |
|--|-----------------------|----------------------|
| <b>ASSETS</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and equivalents   | \$ 339,479            | \$ 617,294           |
| Accounts receivable, net of allowance for credit losses of \$20,306 and \$19,380 at September 30, 2021 and December 31, 2020, respectively   | 692,051               | 630,264              |
| Prepaid expenses and other current assets  | 128,758               | 160,714              |
| Total current assets   | <u>1,160,288</u>      | <u>1,408,272</u>     |
| Restricted cash  | 118,893               | 97,095               |
| Restricted investments   | 58,430                | 57,516               |
| Property and equipment, net  | 5,414,789             | 5,284,506            |
| Operating lease right-of-use assets  | 162,640               | 170,923              |
| Goodwill   | 6,006,533             | 5,726,650            |
| Intangible assets, net   | 1,264,728             | 1,155,079            |
| Other assets, net  | 88,531                | 92,323               |
| Total assets   | <u>\$ 14,274,832</u>  | <u>\$ 13,992,364</u> |
| <b>LIABILITIES AND EQUITY</b>  |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable   | \$ 341,211            | \$ 290,820           |
| Book overdraft   | 16,527                | 17,079               |
| Deferred revenue   | 254,135               | 233,596              |
| Accrued liabilities  | 448,541               | 404,923              |
| Current portion of operating lease liabilities   | 37,236                | 30,671               |
| Current portion of contingent consideration  | 42,359                | 43,297               |
| Current portion of long-term debt and notes payable  | 5,289                 | 8,268                |
| Total current liabilities  | <u>1,145,298</u>      | <u>1,028,654</u>     |
| Long-term portion of debt and notes payable  | 4,869,213             | 4,708,678            |
| Long-term portion of operating lease liabilities   | 132,589               | 147,223              |
| Long-term portion of contingent consideration  | 24,592                | 28,439               |
| Deferred income taxes  | 777,968               | 760,044              |
| Other long-term liabilities  | 442,016               | 455,888              |
| Total liabilities  | <u>7,391,676</u>      | <u>7,128,926</u>     |
| Commitments and contingencies (Note 18)  |                       |                      |
| Equity:  |                       |                      |
| Common shares: 260,526,784 shares issued and 260,453,918 shares outstanding at September 30, 2021; 262,899,174 shares issued and 262,824,990 shares outstanding at December 31, 2020 | 3,726,134             | 4,030,368            |
| Additional paid-in capital   | 184,995               | 170,555              |
| Accumulated other comprehensive income (loss)  | 17,553                | (651)                |
| Treasury shares: 72,866 and 74,184 shares at September 30, 2021 and December 31, 2020, respectively  | —                     | —                    |
| Retained earnings  | <u>2,949,984</u>      | <u>2,659,001</u>     |
| Total Waste Connections' equity  | 6,878,666             | 6,859,273            |
| Noncontrolling interest in subsidiaries  | 4,490                 | 4,165                |
| Total equity   | <u>6,883,156</u>      | <u>6,863,438</u>     |
|  | <u>\$ 14,274,832</u>  | <u>\$ 13,992,364</u> |

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

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

|   | <u>Three Months Ended September 30,</u> |                    | <u>Nine Months Ended September 30,</u> |                    |
|---|---|--------------------|--|--------------------|
|   | <u>2021</u>                             | <u>2020</u>        | <u>2021</u>                            | <u>2020</u>        |
| Revenues  | \$ 1,597,168                            | \$ 1,389,552       | \$ 4,527,042                           | \$ 4,047,739       |
| Operating expenses:   |   |                    |  |                    |
| Cost of operations  | 946,098                                 | 828,822            | 2,673,209                              | 2,429,957          |
| Selling, general and administrative   | 155,520                                 | 136,003            | 454,885                                | 404,213            |
| Depreciation  | 171,965                                 | 157,590            | 498,588                                | 459,641            |
| Amortization of intangibles   | 35,337                                  | 32,653             | 100,237                                | 96,062             |
| Impairments and other operating items   | 3,104                                   | 3,805              | 9,819                                  | 442,582            |
| Operating income  | 285,144                                 | 230,679            | 790,304                                | 215,284            |
| Interest expense  | (40,418)                                | (40,636)           | (124,171)                              | (119,562)          |
| Interest income   | 495                                     | 903                | 2,342                                  | 4,396              |
| Other income (expense), net   | 3,140                                   | 702                | 5,452                                  | (3,046)            |
| Loss on early extinguishment of debt  | (115,288)                               | —                  | (115,288)                              | —                  |
| Income before income tax provision  | 133,073                                 | 191,648            | 558,639                                | 97,072             |
| Income tax provision  | (18,419)                                | (33,657)           | (106,578)                              | (23,654)           |
| Net income  | 114,654                                 | 157,991            | 452,061                                | 73,418             |
| Plus (less): Net loss (income) attributable to noncontrolling interests           | (273)                                   | 58                 | (325)                                  | 594                |
| Net income attributable to Waste Connections                                      | <u>\$ 114,381</u>                       | <u>\$ 158,049</u>  | <u>\$ 451,736</u>                      | <u>\$ 74,012</u>   |
| Earnings per common share attributable to Waste Connections' common shareholders: |   |                    |  |                    |
| Basic   | <u>\$ 0.44</u>                          | <u>\$ 0.60</u>     | <u>\$ 1.73</u>                         | <u>\$ 0.28</u>     |
| Diluted   | <u>\$ 0.44</u>                          | <u>\$ 0.60</u>     | <u>\$ 1.72</u>                         | <u>\$ 0.28</u>     |
| Shares used in the per share calculations:  |   |                    |  |                    |
| Basic   | <u>260,550,774</u>                      | <u>262,998,317</u> | <u>261,372,827</u>                     | <u>263,253,087</u> |
| Diluted   | <u>261,145,220</u>                      | <u>263,507,486</u> | <u>261,879,754</u>                     | <u>263,718,001</u> |
| Cash dividends per common share   | <u>\$ 0.205</u>                         | <u>\$ 0.185</u>    | <u>\$ 0.615</u>                        | <u>\$ 0.555</u>    |

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

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

|  | <u>Three Months Ended September 30,</u> |                   | <u>Nine Months Ended September 30,</u> |                    |
|--|---|-------------------|--|--------------------|
|  | 2021                                    | 2020              | 2021                                   | 2020               |
| Net income   | \$ 114,654                              | \$ 157,991        | \$ 452,061                             | \$ 73,418          |
| Other comprehensive income (loss), before tax:                                     |   |                   |  |                    |
| Interest rate swap amounts reclassified into interest expense                      | 5,143                                   | 2,893             | 15,000                                 | 4,595              |
| Changes in fair value of interest rate swaps                                       | (401)                                   | 1,846             | 14,081                                 | (68,047)           |
| Foreign currency translation adjustment  | (64,197)                                | 45,886            | (3,170)                                | (55,738)           |
| Other comprehensive income (loss), before tax                                      | (59,455)                                | 50,625            | 25,911                                 | (119,190)          |
| Income tax (expense) benefit related to items of other comprehensive income (loss) | (1,257)                                 | (1,256)           | (7,707)                                | 16,815             |
| Other comprehensive income (loss), net of tax                                      | (60,712)                                | 49,369            | 18,204                                 | (102,375)          |
| Comprehensive income (loss)  | 53,942                                  | 207,360           | 470,265                                | (28,957)           |
| Plus (less): Comprehensive loss (income) attributable to noncontrolling interests  | (273)                                   | 58                | (325)                                  | 594                |
| Comprehensive income (loss) attributable to Waste Connections                      | <u>\$ 53,669</u>                        | <u>\$ 207,418</u> | <u>\$ 469,940</u>                      | <u>\$ (28,363)</u> |

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

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

**WASTE CONNECTIONS' EQUITY**

|  | COMMON SHARES |              | ADDITIONAL<br>PAID-IN<br>CAPITAL | ACCUMULATED<br>OTHER<br>COMPREHENSIVE<br>INCOME (LOSS) | TREASURY SHARES |        | RETAINED<br>EARNINGS | NONCONTROLLING<br>INTERESTS | TOTAL        |
|--|---------------|--------------|----------------------------------|--|-----------------|--------|----------------------|-----------------------------|--------------|
|  | SHARES        | AMOUNT       |                                  |  | SHARES          | AMOUNT |                      |                             |              |
| <b>Balances at December 31, 2020</b>   | 262,824,990   | \$ 4,030,368 | \$ 170,555                       | \$ (651)   | 74,184          | \$ —   | \$ 2,659,001         | \$ 4,165                    | \$ 6,863,438 |
| Sale of common shares held in trust  | 1,318         | 131          | —                                | —  | (1,318)         | —      | —                    | —                           | 131          |
| Vesting of restricted share units  | 340,529       | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Vesting of performance-based restricted share units  | 154,251       | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Restricted share units released from deferred compensation plan  | 19,150        | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Tax withholdings related to net share settlements of equity-based compensation                               | (186,039)     | —            | (18,490)                         | —  | —               | —      | —                    | —                           | (18,490)     |
| Equity-based compensation  | —             | —            | 9,573                            | —  | —               | —      | —                    | —                           | 9,573        |
| Exercise of warrants   | 3,490         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Repurchase of common shares  | (666,184)     | (65,999)     | —                                | —  | —               | —      | —                    | —                           | (65,999)     |
| Cash dividends on common shares  | —             | —            | —                                | —  | —               | —      | (53,909)             | —                           | (53,909)     |
| Amounts reclassified into earnings, net of taxes   | —             | —            | —                                | 3,525  | —               | —      | —                    | —                           | 3,525        |
| Changes in fair value of cash flow hedges, net of taxes  | —             | —            | —                                | 15,243   | —               | —      | —                    | —                           | 15,243       |
| Foreign currency translation adjustment  | —             | —            | —                                | 28,054   | —               | —      | —                    | —                           | 28,054       |
| Net income (loss)  | —             | —            | —                                | —  | —               | —      | 160,309              | (2)                         | 160,307      |
| <b>Balances at March 31, 2021</b>  | 262,491,505   | 3,964,500    | 161,638                          | 46,171   | 72,866          | —      | 2,765,401            | 4,163                       | 6,941,873    |
| Vesting of restricted share units  | 647           | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Fair value adjustment for common shares in deferred compensation plan exchanged for other investment options | —             | —            | (1,177)                          | —  | —               | —      | —                    | —                           | (1,177)      |
| Tax withholdings related to net share settlements of equity-based compensation                               | (176)         | —            | (20)                             | —  | —               | —      | —                    | —                           | (20)         |
| Equity-based compensation  | —             | —            | 11,791                           | —  | —               | —      | —                    | —                           | 11,791       |
| Exercise of warrants   | 21,280        | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Repurchase of common shares  | (2,079,806)   | (239,641)    | —                                | —  | —               | —      | —                    | —                           | (239,641)    |
| Cash dividends on common shares  | —             | —            | —                                | —  | —               | —      | (53,421)             | —                           | (53,421)     |
| Amounts reclassified into earnings, net of taxes   | —             | —            | —                                | 3,720  | —               | —      | —                    | —                           | 3,720        |
| Changes in fair value of cash flow hedges, net of taxes  | —             | —            | —                                | (4,599)  | —               | —      | —                    | —                           | (4,599)      |
| Foreign currency translation adjustment  | —             | —            | —                                | 32,973   | —               | —      | —                    | —                           | 32,973       |
| Net income   | —             | —            | —                                | —  | —               | —      | 177,047              | 54                          | 177,101      |
| <b>Balances at June 30, 2021</b>   | 260,433,450   | 3,724,859    | 172,232                          | 78,265   | 72,866          | —      | 2,889,027            | 4,217                       | 6,868,600    |
| Vesting of restricted share units  | 1,525         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Restricted share units released from deferred compensation plan  | 360           | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Tax withholdings related to net share settlements of equity-based compensation                               | (534)         | —            | (66)                             | —  | —               | —      | —                    | —                           | (66)         |
| Equity-based compensation  | —             | —            | 12,829                           | —  | —               | —      | —                    | —                           | 12,829       |
| Exercise of warrants   | 8,304         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Issuance of shares under employee share purchase plan  | 10,813        | 1,275        | —                                | —  | —               | —      | —                    | —                           | 1,275        |
| Cash dividends on common shares  | —             | —            | —                                | —  | —               | —      | (53,424)             | —                           | (53,424)     |
| Amounts reclassified into earnings, net of taxes   | —             | —            | —                                | 3,780  | —               | —      | —                    | —                           | 3,780        |
| Changes in fair value of cash flow hedges, net of taxes  | —             | —            | —                                | (295)  | —               | —      | —                    | —                           | (295)        |
| Foreign currency translation adjustment  | —             | —            | —                                | (64,197)   | —               | —      | —                    | —                           | (64,197)     |
| Net income   | —             | —            | —                                | —  | —               | —      | 114,381              | 273                         | 114,654      |
| <b>Balances at September 30, 2021</b>  | 260,453,918   | \$ 3,726,134 | \$ 184,995                       | \$ 17,553  | 72,866          | \$ —   | \$ 2,949,984         | \$ 4,490                    | \$ 6,883,156 |

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

WASTE CONNECTIONS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
(Unaudited)

(In thousands of U.S. dollars, except share amounts)

**WASTE CONNECTIONS' EQUITY**

|  | COMMON SHARES |              | ADDITIONAL<br>PAID-IN<br>CAPITAL | ACCUMULATED<br>OTHER<br>COMPREHENSIVE<br>INCOME (LOSS) | TREASURY SHARES |        | RETAINED<br>EARNINGS | NONCONTROLLING<br>INTERESTS | TOTAL        |
|--|---------------|--------------|----------------------------------|--|-----------------|--------|----------------------|-----------------------------|--------------|
|  | SHARES        | AMOUNT       |                                  |  | SHARES          | AMOUNT |                      |                             |              |
| <b>Balances at December 31, 2019</b>   | 263,618,161   | \$ 4,135,343 | \$ 154,917                       | \$ (10,963)  | 81,514          | \$ —   | \$ 2,654,207         | \$ 4,850                    | \$ 6,938,354 |
| Sale of common shares held in trust  | 7,330         | 679          | —                                | —  | (7,330)         | —      | —                    | —                           | 679          |
| Vesting of restricted share units  | 366,603       | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Vesting of performance-based restricted share units  | 281,186       | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Restricted share units released from deferred compensation plan  | 20,229        | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Fair value adjustment for common shares in deferred compensation plan exchanged for other investment options | —             | —            | (533)                            | —  | —               | —      | —                    | —                           | (533)        |
| Tax withholdings related to net share settlements of equity-based compensation                               | (226,766)     | —            | (23,090)                         | —  | —               | —      | —                    | —                           | (23,090)     |
| Equity-based compensation  | —             | —            | 10,144                           | —  | —               | —      | —                    | —                           | 10,144       |
| Exercise of warrants   | 9,751         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Repurchase of common shares  | (1,271,977)   | (105,654)    | —                                | —  | —               | —      | —                    | —                           | (105,654)    |
| Cash dividends on common shares  | —             | —            | —                                | —  | —               | —      | (48,018)             | —                           | (48,018)     |
| Amounts reclassified into earnings, net of taxes   | —             | —            | —                                | (323)  | —               | —      | —                    | —                           | (323)        |
| Changes in fair value of cash flow hedges, net of taxes  | —             | —            | —                                | (42,649)   | —               | —      | —                    | —                           | (42,649)     |
| Foreign currency translation adjustment  | —             | —            | —                                | (184,717)  | —               | —      | —                    | —                           | (184,717)    |
| Net income (loss)  | —             | —            | —                                | —  | —               | —      | 143,035              | (142)                       | 142,893      |
| <b>Balances at March 31, 2020</b>  | 262,804,517   | 4,030,368    | 141,438                          | (238,652)  | 74,184          | —      | 2,749,224            | 4,708                       | 6,687,086    |
| Vesting of restricted share units  | 5,537         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Restricted share units released from deferred compensation plan  | 3,269         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Tax withholdings related to net share settlements of equity-based compensation                               | (2,398)       | —            | (201)                            | —  | —               | —      | —                    | —                           | (201)        |
| Equity-based compensation  | —             | —            | 9,912                            | —  | —               | —      | —                    | —                           | 9,912        |
| Exercise of warrants   | 240           | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Cash dividends on common shares  | —             | —            | —                                | —  | —               | —      | (48,894)             | —                           | (48,894)     |
| Amounts reclassified into earnings, net of taxes   | —             | —            | —                                | 1,574  | —               | —      | —                    | —                           | 1,574        |
| Changes in fair value of cash flow hedges, net of taxes  | —             | —            | —                                | (8,722)  | —               | —      | —                    | —                           | (8,722)      |
| Foreign currency translation adjustment  | —             | —            | —                                | 83,093   | —               | —      | —                    | —                           | 83,093       |
| Net loss   | —             | —            | —                                | —  | —               | —      | (227,072)            | (395)                       | (227,467)    |
| <b>Balances at June 30, 2020</b>   | 262,811,165   | 4,030,368    | 151,149                          | (162,707)  | 74,184          | —      | 2,473,258            | 4,313                       | 6,496,381    |
| Vesting of restricted share units  | 3,228         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Fair value adjustment for common shares in deferred compensation plan exchanged for other investment options | —             | —            | (145)                            | —  | —               | —      | —                    | —                           | (145)        |
| Tax withholdings related to net share settlements of equity-based compensation                               | (1,003)       | —            | (99)                             | —  | —               | —      | —                    | —                           | (99)         |
| Equity-based compensation  | —             | —            | 11,701                           | —  | —               | —      | —                    | —                           | 11,701       |
| Exercise of warrants   | 9,435         | —            | —                                | —  | —               | —      | —                    | —                           | —            |
| Cash dividends on common shares  | —             | —            | —                                | —  | —               | —      | (49,009)             | —                           | (49,009)     |
| Amounts reclassified into earnings, net of taxes   | —             | —            | —                                | 2,126  | —               | —      | —                    | —                           | 2,126        |
| Changes in fair value of cash flow hedges, net of taxes  | —             | —            | —                                | 1,357  | —               | —      | —                    | —                           | 1,357        |
| Foreign currency translation adjustment  | —             | —            | —                                | 45,886   | —               | —      | —                    | —                           | 45,886       |
| Net income (loss)  | —             | —            | —                                | —  | —               | —      | 158,049              | (58)                        | 157,991      |
| <b>Balances at September 30, 2020</b>  | 262,822,825   | \$ 4,030,368 | \$ 162,606                       | \$ (113,338)   | 74,184          | \$ —   | \$ 2,582,298         | \$ 4,255                    | \$ 6,666,189 |

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>2021</b>                            | <b>2020</b>       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |  |                   |
| Net income  | \$ 452,061                             | \$ 73,418         |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                   |
| Loss on disposal of assets and impairments  | 9,302                                  | 423,832           |
| Depreciation  | 498,588                                | 459,641           |
| Amortization of intangibles   | 100,237                                | 96,062            |
| Loss on early extinguishment of debt  | 115,288                                | —                 |
| Deferred income taxes, net of acquisitions  | (24,282)                               | (77,613)          |
| Amortization of debt issuance costs   | 3,887                                  | 6,146             |
| Share-based compensation  | 42,694                                 | 38,316            |
| Interest accretion  | 12,068                                 | 12,843            |
| Payment of contingent consideration recorded in earnings                          | (520)                                  | —                 |
| Adjustments to contingent consideration   | 89                                     | 16,852            |
| Other   | (1,286)                                | 936               |
| Net change in operating assets and liabilities, net of acquisitions               | 61,835                                 | 135,140           |
| Net cash provided by operating activities   | <u>1,269,961</u>                       | <u>1,185,573</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |  |                   |
| Payments for acquisitions, net of cash acquired                                   | (561,276)                              | (173,810)         |
| Capital expenditures for property and equipment                                   | (479,480)                              | (420,694)         |
| Capital expenditures for undeveloped landfill property                            | —                                      | (66,809)          |
| Proceeds from disposal of assets  | 10,109                                 | 11,564            |
| Other   | (4,193)                                | (317)             |
| Net cash used in investing activities   | <u>(1,034,840)</u>                     | <u>(650,066)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |  |                   |
| Proceeds from long-term debt  | 1,943,192                              | 1,790,625         |
| Principal payments on notes payable and long-term debt                            | (1,814,034)                            | (1,505,641)       |
| Premiums paid on early extinguishment of debt                                     | (110,617)                              | —                 |
| Payment of contingent consideration recorded at acquisition date                  | (7,998)                                | (2,812)           |
| Change in book overdraft  | (563)                                  | (862)             |
| Payments for repurchase of common shares  | (305,640)                              | (105,654)         |
| Payments for cash dividends   | (160,754)                              | (145,921)         |
| Tax withholdings related to net share settlements of equity-based compensation    | (18,576)                               | (23,390)          |
| Debt issuance costs   | (17,997)                               | (11,117)          |
| Proceeds from issuance of shares under employee share purchase plan               | 1,275                                  | —                 |
| Proceeds from sale of common shares held in trust                                 | 131                                    | 679               |
| Net cash used in financing activities   | <u>(491,581)</u>                       | <u>(4,093)</u>    |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash     | 443                                    | 980               |
| Net increase (decrease) in cash, cash equivalents and restricted cash             | (256,017)                              | 532,394           |
| Cash, cash equivalents and restricted cash at beginning of period                 | 714,389                                | 423,221           |
| Cash, cash equivalents and restricted cash at end of period                       | <u>\$ 458,372</u>                      | <u>\$ 955,615</u> |
| Non-cash financing activities:  |  |                   |
| Liabilities assumed and notes payable issued to sellers of businesses acquired    | \$ 103,016                             | \$ 67,789         |

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, 2021 and 2020. In the opinion of management, the accompanying balance sheets and related interim statements of net income, comprehensive income (loss), 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, 2020.

**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*

Income Taxes – Simplifying the Accounting for Income Taxes. In December 2019, the Financial Accounting Standards Board (“FASB”) issued guidance that simplifies the accounting for income taxes as part of its overall initiative to reduce complexity in applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The amendments include removal of certain exceptions to the general principles of income taxes, and simplification in several other areas such as accounting for a franchise tax that is partially based on income. The standard is effective for public business entities that are U.S. Securities and Exchange Commission (“SEC”) filers for annual periods beginning after December 15, 2020, and interim periods within those reporting periods. The Company adopted the new standard as of January 1, 2021. The adoption of this new standard did not have a material impact on the Company’s consolidated financial statements.

*Accounting Standards Pending Adoption*

Reference Rate Reform – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In March 2020, the FASB issued guidance to provide temporary optional expedients and exceptions to the guidance in GAAP on

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)

contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate (“SOFR”). One-week and two-month U.S. dollar LIBOR settings as well as all non-U.S. dollar LIBOR settings will stop being published on December 31, 2021, while the remaining U.S. dollar LIBOR settings will be discontinued on June 30, 2023. Under the new guidance, entities can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Under the guidance, entities can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met.

The guidance is effective upon issuance. The guidance on contract modifications is applied prospectively from March 12, 2020. It may also be applied to modifications of existing contracts made earlier in the interim period that includes the effective date. The guidance on hedging is applied to eligible hedging relationships existing as of the beginning of the interim period that includes the effective date and to new eligible hedging relationships entered into after the beginning of that interim period. The relief is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. However, certain optional expedients can be applied to hedging relationships evaluated in periods after December 31, 2022. The Company is currently assessing the potential impact of implementing this new guidance on its consolidated financial statements. The Company had a combined \$1,281,000 of U.S. based LIBOR loans as of September 30, 2021. The Company estimates that if the reference rate for these loans had transitioned from LIBOR to SOFR as of September 30, 2021, the impact to annual interest expense would have been an increase of less than \$1,000. This relief is expected to permit the Company to maintain cash flow hedge accounting as described in Note 12.

SEC amends MD&A and other Regulation S-K disclosure requirements. In November 2020, the SEC adopted amendments to Regulation S-K to eliminate certain disclosure requirements and to revise several others to make the disclosures provided in management’s discussion and analysis more useful for investors. Key changes included: (1) enhancements and clarification of the disclosure requirements for liquidity and capital resources; (2) elimination of five years of Selected Financial Data; (3) replacement of the current requirement for two years of quarterly tabular disclosure with a principles-based requirement to provide information only when there are material retrospective changes; (4) codification of prior SEC guidance on critical accounting estimates; (5) elimination of the tabular disclosure of contractual obligations; and (6) conforming amendments for foreign private issuers. The amended rules were posted to the Federal Register on January 11, 2021 and became effective February 10, 2021. Registrants are required to comply with the new rules beginning with the first fiscal year ending on or after August 9, 2021. Registrants may early adopt the amended rules at any time after the effective date (on an item-by-item basis), as long as they provide the disclosure responsive to an amended item in its entirety.

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

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

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)

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

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

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

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

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

Through June 30, 2020, the Company's reporting units consisted of its five geographic solid waste operating segments and its non-hazardous oil and natural gas exploration and production ("E&P") waste treatment, recovery and disposal services segment. As of July 2020, the Company combined all operations of the E&P segment into the Southern segment, based on the Company's determination that the two operating segments met the aggregation criteria, and eliminated the E&P segment.

The Company estimates the fair value of each of its reporting units using discounted cash flow analyses. Discounted cash flow analyses require significant assumptions and estimates about the future operations of each reporting unit and the future discrete cash flows related to each indefinite-lived intangible asset. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows, growth rates and income tax rates. The Company compares the fair value of each reporting unit with the carrying value of the net assets assigned to each reporting unit. If the fair value of a reporting unit is greater than the carrying value of the net assets, including goodwill, assigned to the reporting unit, then no impairment results. If the fair value is less than its carrying value, an impairment charge is recorded for the amount by which the carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. In testing indefinite-lived intangible assets for impairment, the Company compares the estimated fair value of each indefinite-lived intangible asset to its carrying value. If the fair value of the indefinite-lived

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

intangible asset is less than its carrying value, an impairment charge would be recorded to earnings in the Company's Condensed Consolidated Statements of Net Income.

The demand for the Company's E&P waste services depends on the continued demand for, and production of, oil and natural gas. Crude oil and natural gas prices historically have been volatile. Macroeconomic and geopolitical conditions, including a significant decline in oil prices occurring in 2020 driven by both surplus production and supply, as well as the decrease in demand caused by factors including the coronavirus disease 2019 ("COVID-19") pandemic, resulted in decreased levels of oil and natural gas exploration and production activity and a corresponding decrease in demand for the Company's E&P waste services in 2020. During the nine months ended September 30, 2020, total E&P revenue declined \$75,158, compared to the prior year period, on oil rig count declines of 72% in certain basins. The most impacted basins included the Williston Basin in North Dakota, the Eagle Ford Basin in Texas and the Powder River Basin in Wyoming, all of which have relatively high costs associated with drilling, making them less attractive than other basins, including the Permian Basin in Texas and New Mexico. Additionally, across the industry there was uncertainty regarding future demand for oil and related services, as noted by several energy companies during 2020, many of whom are customers of the Company's E&P operations. These companies wrote down the values of their oil and gas assets in anticipation of the potential for the decarbonization of their energy product mix given an increased global focus on reducing greenhouse gases and addressing climate change. Such uncertainty regarding global demand had a significant impact on the investment and operating plans of the Company's E&P waste customers in the basins where the Company operates.

The decrease in E&P activity, together with market expectations of a likely slow recovery in oil prices, reduced the expected future period cash flows of the Company's E&P operations. Based on these events, the Company concluded that a triggering event occurred which required the Company to perform an impairment test of the property and equipment and intangible assets of its E&P operations as of June 30, 2020 using July 2020 industry projections for drilling activity by basin as the basis for expectations about future activity. Based upon the results of the impairment test, the Company concluded that the carrying value exceeded the projected undiscounted cash flows of four E&P landfills. The next step was to calculate the fair value of these four landfills using an income approach employing a discounted cash flow (DCF) model over the lesser of 40 years or the remaining life of each landfill. Additional key assumptions used in the DCF model included a discount rate of 12% applied to the cash flows, annual revenue projections based on E&P waste resulting from projected levels of oil and natural gas E&P activity during the forecast period at each location, gross margins based on estimated operating expense requirements during the forecast period, estimated capital expenditures over the forecast period and income taxes based on the estimated federal and state income tax rates applicable during the cash flow periods, all of which were classified as Level 3 in the fair value hierarchy. For each of the four landfills, the carrying value exceeded the calculated discounted fair value, resulting in the recording of an impairment charge of \$417,384 to Impairments and other operating items in the Condensed Consolidated Statements of Net Income during the nine months ended September 30, 2020. The four landfills had \$0 of intangible assets at June 30, 2020; therefore, no impairment charge was attributable to intangible assets. The impairment charge reduced the carrying value of property and equipment by \$417,384. If the estimated annual cash flows in the DCF model for each asset or asset group tested was changed by 10%, the resulting impairment charge would change by approximately \$3,000.

The aforementioned impairment charges were partially offset by a \$4,145 adjustment to reduce the fair value of an amount payable in 2021 under a liability-classified contingent consideration arrangement calculated on future earnings and cash flows associated with the acquisition of an E&P business in 2014. Based upon the outlook for E&P waste services in the market where the acquired business operates, the payment of the contingent consideration was deemed unlikely and the carrying value was reduced to \$0 as of June 30, 2020, resulting in a credit to Impairments and other operating items in the Condensed Consolidated Statements of Net Income.

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)

**5. REVENUE**

The Company's operations primarily consist of providing non-hazardous waste collection, transfer, disposal and recycling services, E&P 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>2021</u>                             | <u>2020</u>         | <u>2021</u>                            | <u>2020</u>         |
| Commercial                           | \$ 465,246                              | \$ 406,037          | \$ 1,335,686                           | \$ 1,197,971        |
| Residential                          | 422,543                                 | 387,566             | 1,240,337                              | 1,131,486           |
| Industrial and construction roll off | 249,417                                 | 216,894             | 695,975                                | 618,122             |
| Total collection                     | 1,137,206                               | 1,010,497           | 3,271,998                              | 2,947,579           |
| Landfill                             | 328,147                                 | 308,795             | 927,207                                | 855,631             |
| Transfer                             | 225,827                                 | 205,910             | 632,282                                | 575,761             |
| Recycling                            | 55,772                                  | 21,377              | 129,759                                | 59,701              |
| E&P                                  | 38,519                                  | 26,218              | 101,137                                | 131,748             |
| Intermodal and other                 | 38,377                                  | 27,141              | 112,602                                | 84,970              |
| Intercompany                         | (226,680)                               | (210,386)           | (647,943)                              | (607,651)           |
| <b>Total</b>                         | <b>\$ 1,597,168</b>                     | <b>\$ 1,389,552</b> | <b>\$ 4,527,042</b>                    | <b>\$ 4,047,739</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, 2021 was recognized as revenue during the three months ended September 30, 2021 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 \$18,954 and \$19,669 of deferred sales incentives at September 30, 2021 and December 31, 2020, respectively.

**6. ACCOUNTS RECEIVABLE**

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

The allowance for credit losses is based on management's assessment of the collectability of assets pooled together with similar risk characteristics. The Company monitors the collectability of its trade receivables as one overall pool due

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)

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

|   | <u>Nine Months Ended September 30,</u> |                  |
|---|--|------------------|
|   | <u>2021</u>                            | <u>2020</u>      |
| Beginning balance                                   | \$ 19,380                              | \$ 16,432        |
| Current period provision for expected credit losses | 9,239                                  | 13,092           |
| Write-offs charged against the allowance            | (11,886)                               | (13,540)         |
| Recoveries collected                                | 3,574                                  | 4,722            |
| Impact of changes in foreign currency               | (1)                                    | (49)             |
| Ending balance                                      | <u>\$ 20,306</u>                       | <u>\$ 20,657</u> |

## 7. LANDFILL ACCOUNTING

At September 30, 2021, the Company's landfills consisted of 84 owned landfills, five landfills operated under life-of-site operating agreements and five landfills operated under limited-term operating agreements. The Company's landfills had site costs with a net book value of \$2,601,014 at September 30, 2021. For the Company's landfills operated under limited-term operating agreements and life-of-site operating agreements, the owner of the property (generally a municipality) usually owns the permit and the Company operates the landfill for a contracted term. Where the contracted term is not the life of the landfill, the property owner is generally responsible for final capping, closure and post-closure obligations. The Company is responsible for all final capping, closure and post-closure liabilities at the landfills it operates under life-of-site operating agreements.

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

Based on remaining permitted capacity as of September 30, 2021, 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, 2021, the Company is seeking to expand permitted capacity at 12 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 32 years. The estimated remaining lives of the Company's owned landfills and landfills operated under life-of-site operating agreements range from 1 to 283 years, with approximately 90% of the projected annual disposal volume from landfills with remaining lives of less than 70 years.

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)

During the nine months ended September 30, 2021 and 2020, the Company expensed \$160,470 and \$149,988, respectively, or an average of \$4.56 and \$4.51 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 2021 and 2020 "layers" for final capping, closure and post-closure obligations was 3.25% and 4.75%, respectively, which reflects the Company's long-term credit adjusted risk free rate as of the end of 2020 and 2019. The Company's inflation rate assumption is 2.25% and 2.50% for the years ending December 31, 2021 and 2020, respectively. 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, 2021 and 2020, the Company expensed \$10,783 and \$11,174, respectively, or an average of \$0.31 and \$0.34 per ton consumed, respectively, related to final capping, closure and post-closure accretion expense.

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2020 to September 30, 2021:

|   |                   |
|---|-------------------|
| Final capping, closure and post-closure liability at December 31, 2020  | \$ 301,896        |
| Liability adjustments   | (5,008)           |
| Accretion expense associated with landfill obligations                  | 10,783            |
| Closure payments  | (13,263)          |
| Foreign currency translation adjustment                                 | 483               |
| Final capping, closure and post-closure liability at September 30, 2021 | <u>\$ 294,891</u> |

Liability adjustments of \$5,008 for the nine months ended September 30, 2021, represent non-cash changes to final capping, closure and post-closure liabilities and are recorded on the Condensed Consolidated Balance Sheets along with an offsetting addition to site costs, which is amortized to depletion expense as the remaining landfill airspace is consumed. The final capping, closure and post-closure liability is included in Other long-term liabilities in the Condensed Consolidated Balance Sheets. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At September 30, 2021 and December 31, 2020, \$12,816 and \$12,533, respectively, of the Company's restricted cash balance and \$55,716 and \$54,833, respectively, of the Company's restricted investments balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

## 8. ACQUISITIONS

The Company acquired 14 individually immaterial non-hazardous solid waste collection, transfer and recycling businesses during the nine months ended September 30, 2021. The total acquisition-related costs incurred during the

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)

nine months ended September 30, 2021 for these acquisitions were \$6,220. These expenses are included in Selling, general and administrative expenses in the Company's Condensed Consolidated Statements of Net Income.

The Company acquired 11 individually immaterial non-hazardous solid waste collection, transfer, recycling and disposal businesses during the nine months ended September 30, 2020. The total acquisition-related costs incurred during the nine months ended September 30, 2020 for these acquisitions were \$4,497. 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.

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, 2021 and 2020:

|  | 2021<br>Acquisitions | 2020<br>Acquisitions |
|--|----------------------|----------------------|
| Fair value of consideration transferred:   |                      |                      |
| Cash   | \$ 561,276           | \$ 173,810           |
| Debt assumed   | 30,485               | 54,089               |
| Change in open working capital settlements at quarter end  | —                    | 1,505                |
|  | <u>591,761</u>       | <u>229,404</u>       |
| Recognized amounts of identifiable assets acquired and liabilities assumed associated with<br>businesses acquired: |                      |                      |
| Accounts receivable  | 19,792               | 3,805                |
| Prepaid expenses and other current assets  | 2,007                | 1,681                |
| Operating lease right-of-use assets  | 1,707                | 48                   |
| Property and equipment   | 152,955              | 105,827              |
| Long-term franchise agreements and contracts   | 76,847               | 46,440               |
| Indefinite-lived intangibles   | —                    | 13,465               |
| Customer lists   | 46,449               | 8,187                |
| Permits and other intangibles  | 83,659               | —                    |
| Other assets   | 4                    | —                    |
| Accounts payable and accrued liabilities   | (27,406)             | (2,685)              |
| Current portion of operating lease liabilities   | (727)                | (31)                 |
| Deferred revenue   | (4,771)              | (1,091)              |
| Contingent consideration   | (2,512)              | (3,677)              |
| Long-term portion of operating lease liabilities   | (980)                | (16)                 |
| Other long-term liabilities  | (2,306)              | (2,119)              |
| Deferred income taxes  | (33,829)             | (4,081)              |
| Total identifiable net assets  | <u>310,889</u>       | <u>165,753</u>       |
| Goodwill   | <u>\$ 280,872</u>    | <u>\$ 63,651</u>     |

Goodwill acquired during the nine months ended September 30, 2021 and 2020, totaling \$114,006 and \$48,926, respectively, is expected to be deductible for tax purposes.

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

The fair value of acquired working capital related to 11 individually immaterial acquisitions completed during the twelve months ended September 30, 2021, 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 11 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, 2021, is \$21,673, of which \$1,881 is expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the nine months ended September 30, 2020, is \$3,840, of which \$35 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisitions of these businesses.

**9. INTANGIBLE ASSETS, NET**

Intangible assets, exclusive of goodwill, consisted of the following at September 30, 2021:

|   | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Accumulated<br>Impairment<br>Loss | Net<br>Carrying<br>Amount  |
|---|-----------------------------|-----------------------------|-----------------------------------|----------------------------|
| Finite-lived intangible assets:                   |                             |                             |                                   |                            |
| Long-term franchise agreements and contracts      | \$ 670,163                  | \$ (266,082)                | \$ —                              | \$ 404,081                 |
| Customer lists                                    | 682,417                     | (429,470)                   | —                                 | 252,947                    |
| Permits and other                                 | 462,558                     | (90,545)                    | —                                 | 372,013                    |
|   | <u>1,815,138</u>            | <u>(786,097)</u>            | <u>—</u>                          | <u>1,029,041</u>           |
| Indefinite-lived intangible assets:               |                             |                             |                                   |                            |
| Solid waste collection and transportation permits | 172,056                     | —                           | —                                 | 172,056                    |
| Material recycling facility permits               | 42,283                      | —                           | —                                 | 42,283                     |
| E&P facility permits                              | 59,855                      | —                           | (38,507)                          | 21,348                     |
|   | <u>274,194</u>              | <u>—</u>                    | <u>(38,507)</u>                   | <u>235,687</u>             |
| <b>Intangible assets, exclusive of goodwill</b>   | <b><u>\$ 2,089,332</u></b>  | <b><u>\$ (786,097)</u></b>  | <b><u>\$ (38,507)</u></b>         | <b><u>\$ 1,264,728</u></b> |

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the nine months ended September 30, 2021 was 20.7 years. The weighted-average amortization period of customer lists acquired during the nine months ended September 30, 2021 was 11.3 years. The weighted-average amortization period of finite-lived permits and other acquired during the nine months ended September 30, 2021 was 40.0 years.

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

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

|   | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Accumulated<br>Impairment<br>Loss | Net<br>Carrying<br>Amount  |
|---|-----------------------------|-----------------------------|-----------------------------------|----------------------------|
| <b>Finite-lived intangible assets:</b>            |                             |                             |                                   |                            |
| Long-term franchise agreements and contracts      | \$ 600,674                  | \$ (234,972)                | \$ —                              | \$ 365,702                 |
| Customer lists                                    | 636,035                     | (382,020)                   | —                                 | 254,015                    |
| Permits and other                                 | 378,952                     | (79,277)                    | —                                 | 299,675                    |
|   | <u>1,615,661</u>            | <u>(696,269)</u>            | <u>—</u>                          | <u>919,392</u>             |
| <b>Indefinite-lived intangible assets:</b>        |                             |                             |                                   |                            |
| Solid waste collection and transportation permits | 172,056                     | —                           | —                                 | 172,056                    |
| Material recycling facility permits               | 42,283                      | —                           | —                                 | 42,283                     |
| E&P facility permits                              | 59,855                      | —                           | (38,507)                          | 21,348                     |
|   | <u>274,194</u>              | <u>—</u>                    | <u>(38,507)</u>                   | <u>235,687</u>             |
| <b>Intangible assets, exclusive of goodwill</b>   | <b><u>\$ 1,889,855</u></b>  | <b><u>\$ (696,269)</u></b>  | <b><u>\$ (38,507)</u></b>         | <b><u>\$ 1,155,079</u></b> |

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

|                                       |            |
|---------------------------------------|------------|
| For the year ending December 31, 2021 | \$ 137,970 |
| For the year ending December 31, 2022 | \$ 126,734 |
| For the year ending December 31, 2023 | \$ 108,413 |
| For the year ending December 31, 2024 | \$ 93,719  |
| For the year ending December 31, 2025 | \$ 79,642  |

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)

**10. LONG-TERM DEBT**

The following table presents the Company's long-term debt as of September 30, 2021 and December 31, 2020:

|   | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| Revolver under Credit Agreement, bearing interest ranging from 1.09% to 1.43% <sup>(a)</sup>  | \$ 634,924            | \$ 203,927           |
| Term loan under Credit Agreement, bearing interest at 1.09% <sup>(a)</sup>  | 650,000               | 650,000              |
| 4.64% Senior Notes due 2021 <sup>(b)</sup>  | —                     | 100,000              |
| 2.39% Senior Notes due 2021 <sup>(c)</sup>  | —                     | 150,000              |
| 3.09% Senior Notes due 2022 <sup>(d)</sup>  | —                     | 125,000              |
| 2.75% Senior Notes due 2023 <sup>(d)</sup>  | —                     | 200,000              |
| 3.24% Senior Notes due 2024 <sup>(d)</sup>  | —                     | 150,000              |
| 3.41% Senior Notes due 2025 <sup>(d)</sup>  | —                     | 375,000              |
| 3.03% Senior Notes due 2026 <sup>(d)</sup>  | —                     | 400,000              |
| 3.49% Senior Notes due 2027 <sup>(d)</sup>  | —                     | 250,000              |
| 4.25% Senior Notes due 2028   | 500,000               | 500,000              |
| 3.50% Senior Notes due 2029   | 500,000               | 500,000              |
| 2.60% Senior Notes due 2030   | 600,000               | 600,000              |
| 2.20% Senior Notes due 2032   | 650,000               | —                    |
| 3.05% Senior Notes due 2050   | 500,000               | 500,000              |
| 2.95% Senior Notes due 2052   | 850,000               | —                    |
| Notes payable to sellers and other third parties, bearing interest ranging from 2.42% to 10.35%, principal and interest payments due periodically with due dates ranging from 2028 to 2036 <sup>(a)</sup> | 38,334                | 43,131               |
| Finance leases, bearing interest at 1.89% with a lease expiration date of 2026 <sup>(a)</sup>   | 7,137                 | 3,754                |
|   | <u>4,930,395</u>      | <u>4,750,812</u>     |
| Less – current portion  | (5,289)               | (8,268)              |
| Less – unamortized debt discount and issuance costs   | (55,893)              | (33,866)             |
|   | <u>\$ 4,869,213</u>   | <u>\$ 4,708,678</u>  |

(a) Interest rates represent the interest rates in effect at September 30, 2021.

(b) All of the outstanding 4.64% Senior Notes due 2021 were redeemed by the Company on April 1, 2021.

(c) All of the outstanding 2.39% Senior Notes due 2021 were redeemed by the Company on June 1, 2021.

(d) All of the outstanding Senior Notes issued pursuant to the 2008 and 2016 master note purchase agreements were redeemed by the Company on September 20, 2021.

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)

Credit Agreement

Details of the 2021 Credit Agreement and Credit Agreement, as applicable, are as follows:

|   | September 30,<br>2021 | December 31,<br>2020 |
|---|-----------------------|----------------------|
| <i>Revolver under Credit Agreement</i>                  |                       |                      |
| Available   | \$ 1,100,391          | \$ 1,238,937         |
| Letters of credit outstanding                           | \$ 114,685            | \$ 119,636           |
| Total amount drawn, as follows:                         | \$ 634,924            | \$ 203,927           |
| Amount drawn - U.S. LIBOR rate loan                     | \$ 631,000            | \$ 200,000           |
| Interest rate applicable - U.S. LIBOR rate loan         | 1.09 %                | 1.35 %               |
| Amount drawn – Canadian bankers’ acceptance             | \$ 3,924              | \$ 3,927             |
| Interest rate applicable – Canadian bankers’ acceptance | 1.43 %                | 1.66 %               |
| Commitment – rate applicable                            | 0.09 %                | 0.15 %               |
| <i>Term loan under Credit Agreement</i>                 |                       |                      |
| Amount drawn – U.S. based LIBOR loan                    | \$ 650,000            | \$ 650,000           |
| Interest rate applicable – U.S. based LIBOR loan        | 1.09 %                | 1.35 %               |

In addition to the \$114,685 of letters of credit at September 30, 2021 issued and outstanding under the 2021 Credit Agreement, the Company has issued and outstanding letters of credit totaling \$6,819 under facilities other than the 2021 Credit Agreement.

On March 21, 2018, the Company and the lenders named therein entered into an Amended and Restated Revolving Credit and Term Loan Agreement (as amended, restated, supplemented or otherwise modified and as in effect immediately prior to the Closing Date (as defined below), the “Credit Agreement”), pursuant to which the lenders made loans and other extensions of credit to the Company thereunder.

On July 30, 2021 (the “Closing Date”), the Company amended and restated the Credit Agreement in its entirety pursuant to a Second Amended and Restated Revolving Credit and Term Loan Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “2021 Credit Agreement”) entered into by the Company, as borrower, Bank of America, N.A., acting through its Canada Branch, as the global agent, the swing line lender, and a letter of credit issuer, Bank of America, N.A., as the U.S. agent and a letter of credit issuer, the other lenders named therein (the “Lenders”) and any other financial institutions from time to time party thereto. The 2021 Credit Agreement has a scheduled maturity date of July 30, 2026, which may be extended further upon agreement by the Lenders with respect to their respective commitments and credit extensions outstanding.

Pursuant to the terms and conditions of the 2021 Credit Agreement, the Lenders committed to providing a \$2,500,000 credit facility to the Company, consisting of (i) revolving advances up to an aggregate principal amount of \$1,850,000 at any one time outstanding (representing an increase of \$287,500 from the Credit Agreement), and (ii) a term loan in an aggregate principal amount of \$650,000, which term loan was fully drawn as of the Closing Date (with existing term loans outstanding under the Credit Agreement immediately prior to the Closing Date continued and now outstanding under and governed by the terms of the 2021 Credit Agreement). As part of the aggregate commitments under the revolving advances, the 2021 Credit Agreement provides for letters of credit to be issued at the request of the Company in an aggregate amount not to exceed \$320,000 and for swing line loans to be issued at the request of the Company in an aggregate amount not to exceed the lesser of \$100,000 and the aggregate commitments under the revolving advances. This swing line sublimit is part of, and not in addition to, the aggregate commitments under the revolving advances. Existing letters of credit in place under the Credit Agreement immediately prior to the Closing Date are continued and now deemed issued under and

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)

governed by the terms of the 2021 Credit Agreement. Subject to certain specified conditions and additional deliveries, the Company has the option to request increases in the aggregate commitments for revolving advances and one or more additional term loans, provided that (i) the aggregate principal amount of such requests does not exceed \$500,000 and (ii) the aggregate principal amount of commitments and term loans under the credit facility does not exceed \$3,000,000. As of the Closing Date, there are no commitments by Lenders for any such increases in aggregate commitments for revolving advances or additional term loans described in the preceding sentence.

Advances are available under the 2021 Credit Agreement in U.S. dollars and Canadian dollars. Interest accrues on the term loan at a LIBOR rate or a base rate, at the Company's option, plus an applicable margin. Interest accrues on revolving advances, at the Company's option, (i) at a LIBOR rate or a base rate for U.S. dollar borrowings, plus an applicable margin, and (ii) at the Canadian prime rate for Canadian dollar borrowings, plus an applicable margin. Canadian dollar borrowings are also available by way of bankers' acceptances or BA equivalent notes, subject to the payment of a drawing fee. The fees for letters of credit in U.S. dollars and Canadian dollars are also based on the applicable margin. The applicable margin used in connection with interest rates and fees is based on the debt rating of the Company's public non-credit-enhanced, senior unsecured long-term debt (the "Debt Rating"). The applicable margin for LIBOR rate loans, drawing fees for bankers' acceptances, BA equivalent notes and letter of credit fees ranges from 0.750% to 1.250%, and the applicable margin for U.S. base rate loans, Canadian prime rate loans and swing line loans ranges from 0.00% to 0.250%. The Company will also pay a fee based on the Debt Rating on the actual daily unused amount of the aggregate revolving commitments ranging from 0.065% to 0.150%. The 2021 Credit Agreement contains hardwired mechanics for the replacement of LIBOR, including (1) mechanics to transition to a rate based upon the secured overnight financing rate ("SOFR") published by the Federal Reserve Bank of New York or a successor administrator on its website (or a successor source) upon the earlier of (x) LIBOR's cessation or loss of representativeness, (y) June 30, 2023 and (z) the effectiveness of an early opt-in election by the Company and the agents subject to certain terms and (2) mechanics to transition to an alternate benchmark rate giving due consideration to any evolving or then-prevailing market conventions for U.S. dollar-denominated syndicated credit facilities at such time upon the occurrence of certain subsequent transition events, the unavailability of SOFR-based alternatives or the effectiveness of an early opt-in election by the Company and the agents subject to certain terms.

The borrowings under the 2021 Credit Agreement are unsecured and there are no subsidiary guarantors under the 2021 Credit Agreement. The 2021 Credit Agreement contains customary representations, warranties, covenants and events of default, including, among others, a change of control event of default and limitations on the incurrence of indebtedness and liens, new lines of business, mergers, transactions with affiliates and burdensome agreements. During the continuance of an event of default, the Lenders may take a number of actions, including, among others, declaring the entire amount then outstanding under the 2021 Credit Agreement to be due and payable.

The 2021 Credit Agreement includes a financial covenant limiting, as of the last day of each fiscal quarter, the ratio of (a) Consolidated Total Funded Debt (as defined in the 2021 Credit Agreement) as of such date to (b) Consolidated EBITDA (as defined in the 2021 Credit Agreement), measured for the preceding 12 months, to not more than 3.75 to 1.00 (or 4.25 to 1.00 during material acquisition periods, subject to certain limitations). As of September 30, 2021, the Company was in compliance with its financial covenants under the 2021 Credit Agreement.

#### Senior Notes

On September 20, 2021, the Company completed an underwritten public offering (the "Offering") of \$650,000 aggregate principal amount of 2.20% Senior Notes due 2032 (the "2032 Senior Notes") and \$850,000 aggregate principal amount of 2.95% Senior Notes due 2052 (the "2052 Senior Notes" and, together with the 2032 Senior Notes, the "Notes"). The Company issued the Notes 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 Fifth Supplemental

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)

Indenture, dated as of September 20, 2021 (the “Supplemental Indenture” and the Base Indenture as so supplemented, the “Indenture”).

In connection with the Offering, the Company exercised its right to repay the \$1,500,000 of senior notes (the “Private Notes”) that were governed by its 2008 and 2016 master note purchase agreements. The Company repaid the Private Notes, including the \$110,617 make-whole payment, with the net proceeds from the Offering and borrowings under the revolving credit facility provided under its 2021 Credit Agreement. The Company recorded \$115,288 to Loss on early extinguishment of debt during the nine months ended September 30, 2021 due to the repayment of the Private Notes and associated make-whole premium and related offering fees and expenses.

The Company will pay interest on the Notes semi-annually in arrears. The 2032 Senior Notes will mature on January 15, 2032 and the 2052 Senior Notes will mature on January 15, 2052. The Notes are the Company’s senior unsecured obligations, ranking equally in right of payment with its other existing and future unsubordinated debt and senior to any of its future subordinated debt. The Notes are not guaranteed by any of the Company’s subsidiaries.

The Company may, prior to October 15, 2031 (three months before the maturity date), redeem some or all of the 2032 Senior Notes, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount of the 2032 Senior Notes redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the 2032 Senior Notes redeemed. Commencing on October 15, 2031 (three months before the maturity date), the Company may redeem some or all of the 2032 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the 2032 Senior Notes being redeemed plus accrued and unpaid interest to, but excluding, the redemption date. The Company may, prior to July 15, 2051 (six months before the maturity date), redeem some or all of the 2052 Senior Notes, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount of the 2052 Senior Notes redeemed, or the sum of the present values of the remaining scheduled payments of principal and interest on the 2052 Senior Notes redeemed. Commencing on July 15, 2051 (six months before the maturity date), the Company may redeem some or all of the 2052 Senior Notes, at any time and from time to time, at a redemption price equal to the principal amount of the 2052 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 Notes to ensure that the net amounts received by each holder of the Notes will not be less than the amount such holder would have received if withholding taxes or deductions were not incurred on a payment under or with respect to the Notes. If such payment of Additional Amounts are a result of a change in the laws or regulations, including a change in any official position, the introduction of an official position or a holding by a court of competent jurisdiction, of any jurisdiction from or through which payment is made by or on behalf of the Notes having power to tax, and the Company cannot avoid such payments of Additional Amounts through reasonable measures, then the Company may redeem the Notes then outstanding at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

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

The covenants in the Indenture include limitations on liens, sale-leaseback transactions and mergers and sales of all or substantially all of the Company’s assets. The Indenture also includes customary events of default with respect to the Notes. As of September 30, 2021, the Company was in compliance with all applicable covenants in the Indenture.

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)

Upon an event of default, the principal of and accrued and unpaid interest on all the Notes may be declared to be due and payable by the Trustee or the holders of not less than 25% in principal amount of the outstanding Notes. Upon such a declaration, such principal and accrued interest on all of the 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 Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Notes. Under certain circumstances, the holders of a majority in principal amount of the outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

## 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, which are also its reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts.

The Company's Southern segment services customers located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Dakota, southern Oklahoma, western Tennessee, Texas, Wyoming and along the Gulf of Mexico; the Company's Eastern segment services customers located in Delaware, northern Illinois, Kentucky, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, eastern Tennessee, Vermont, Virginia and Wisconsin; 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 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.

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)

Summarized financial information concerning the Company's reportable segments for the three and nine months ended September 30, 2021 and 2020, is shown in the following tables:

| Three Months Ended<br>September 30, 2021 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment<br>EBITDA <sup>(c)</sup> |
|--|---------------------|--|---------------------|----------------------------------|
| Eastern                                  | \$ 470,637          | \$ (74,408)                            | \$ 396,229          | \$ 106,908                       |
| Southern                                 | 418,917             | (47,959)                               | 370,958             | 99,612                           |
| Western                                  | 371,846             | (39,826)                               | 332,020             | 108,280                          |
| Central                                  | 310,551             | (36,869)                               | 273,682             | 95,026                           |
| Canada                                   | 251,897             | (27,618)                               | 224,279             | 92,275                           |
| Corporate <sup>(a)</sup>                 | —                   | —                                      | —                   | (6,551)                          |
|  | <u>\$ 1,823,848</u> | <u>\$ (226,680)</u>                    | <u>\$ 1,597,168</u> | <u>\$ 495,550</u>                |

| Three Months Ended<br>September 30, 2020 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment<br>EBITDA <sup>(c)</sup> |
|--|---------------------|--|---------------------|----------------------------------|
| Eastern                                  | \$ 413,499          | \$ (69,146)                            | \$ 344,353          | \$ 90,991                        |
| Southern                                 | 375,636             | (45,061)                               | 330,575             | 81,394                           |
| Western                                  | 337,768             | (36,547)                               | 301,221             | 101,071                          |
| Central                                  | 262,458             | (33,892)                               | 228,566             | 82,887                           |
| Canada                                   | 210,577             | (25,740)                               | 184,837             | 72,516                           |
| Corporate <sup>(a)</sup>                 | —                   | —                                      | —                   | (4,132)                          |
|  | <u>\$ 1,599,938</u> | <u>\$ (210,386)</u>                    | <u>\$ 1,389,552</u> | <u>\$ 424,727</u>                |

| Nine Months Ended<br>September 30, 2021 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment<br>EBITDA <sup>(c)</sup> |
|---|---------------------|--|---------------------|----------------------------------|
| Eastern                                 | \$ 1,310,265        | \$ (207,958)                           | \$ 1,102,307        | \$ 295,411                       |
| Southern                                | 1,214,798           | (142,342)                              | 1,072,456           | 291,964                          |
| Western                                 | 1,056,482           | (113,669)                              | 942,813             | 301,507                          |
| Central                                 | 882,159             | (106,246)                              | 775,913             | 268,952                          |
| Canada                                  | 711,281             | (77,728)                               | 633,553             | 254,857                          |
| Corporate <sup>(a)</sup>                | —                   | —                                      | —                   | (13,743)                         |
|   | <u>\$ 5,174,985</u> | <u>\$ (647,943)</u>                    | <u>\$ 4,527,042</u> | <u>\$ 1,398,948</u>              |

| Nine Months Ended<br>September 30, 2020 | Revenue             | Intercompany<br>Revenue <sup>(b)</sup> | Reported<br>Revenue | Segment<br>EBITDA <sup>(c)</sup> |
|---|---------------------|--|---------------------|----------------------------------|
| Eastern                                 | \$ 1,194,213        | \$ (198,767)                           | \$ 995,446          | \$ 258,333                       |
| Southern                                | 1,171,709           | (138,412)                              | 1,033,297           | 276,844                          |
| Western                                 | 953,861             | (105,122)                              | 848,739             | 267,523                          |
| Central                                 | 749,093             | (95,365)                               | 653,728             | 235,742                          |
| Canada                                  | 586,514             | (69,985)                               | 516,529             | 185,589                          |
| Corporate <sup>(a)</sup>                | —                   | —                                      | —                   | (10,462)                         |
|   | <u>\$ 4,655,390</u> | <u>\$ (607,651)</u>                    | <u>\$ 4,047,739</u> | <u>\$ 1,213,569</u>              |

(a) The majority of Corporate expenses are allocated to the five operating segments. Direct acquisition expenses, expenses associated with common shares held in the deferred compensation plan exchanged for other investment options and share-based compensation expenses associated with Progressive Waste share-based grants outstanding at June 1, 2016 that were continued by the Company are not allocated to the five operating segments and comprise the net EBITDA of the Company's Corporate segment for the 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)

- (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, 2021 and December 31, 2020, were as follows:

|                     | September 30,<br>2021 | December 31,<br>2020 |
|---------------------|-----------------------|----------------------|
| Eastern             | \$ 3,483,854          | \$ 3,134,462         |
| Southern            | 3,370,932             | 3,402,081            |
| Western             | 2,093,299             | 1,861,079            |
| Central             | 2,217,407             | 2,160,246            |
| Canada              | 2,563,773             | 2,544,379            |
| Corporate           | 545,567               | 890,117              |
| <b>Total Assets</b> | <b>\$ 14,274,832</b>  | <b>\$ 13,992,364</b> |

The following tables show changes in goodwill during the nine months ended September 30, 2021 and 2020, by reportable segment:

|   | Eastern             | Southern            | Western           | Central           | Canada              | Total               |
|---|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| Balance as of December 31, 2020         | \$ 1,374,577        | \$ 1,532,215        | \$ 442,862        | \$ 824,204        | \$ 1,552,792        | \$ 5,726,650        |
| Goodwill acquired                       | 169,561             | 2,970               | 60,999            | 47,344            | —                   | 280,874             |
| Goodwill acquisition adjustments        | —                   | —                   | —                 | —                 | (2)                 | (2)                 |
| Impact of changes in foreign currency   | —                   | —                   | —                 | —                 | (989)               | (989)               |
| <b>Balance as of September 30, 2021</b> | <b>\$ 1,544,138</b> | <b>\$ 1,535,185</b> | <b>\$ 503,861</b> | <b>\$ 871,548</b> | <b>\$ 1,551,801</b> | <b>\$ 6,006,533</b> |

|   | Eastern             | Southern            | Western           | Central           | Canada              | Total               |
|---|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| Balance as of December 31, 2019         | \$ 1,331,180        | \$ 1,528,225        | \$ 400,037        | \$ 729,470        | \$ 1,521,939        | \$ 5,510,851        |
| Goodwill acquired                       | 6,228               | 3,648               | 43,151            | 10,450            | 174                 | 63,651              |
| Impact of changes in foreign currency   | —                   | —                   | —                 | —                 | (39,935)            | (39,935)            |
| <b>Balance as of September 30, 2020</b> | <b>\$ 1,337,408</b> | <b>\$ 1,531,873</b> | <b>\$ 443,188</b> | <b>\$ 739,920</b> | <b>\$ 1,482,178</b> | <b>\$ 5,534,567</b> |

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

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

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

|                                       | Three Months Ended<br>September 30, |                   | Nine Months Ended<br>September 30, |                  |
|---------------------------------------|-------------------------------------|-------------------|------------------------------------|------------------|
|                                       | 2021                                | 2020              | 2021                               | 2020             |
| Eastern segment EBITDA                | \$ 106,908                          | \$ 90,991         | \$ 295,411                         | \$ 258,333       |
| Southern segment EBITDA               | 99,612                              | 81,394            | 291,964                            | 276,844          |
| Western segment EBITDA                | 108,280                             | 101,071           | 301,507                            | 267,523          |
| Central segment EBITDA                | 95,026                              | 82,887            | 268,952                            | 235,742          |
| Canada segment EBITDA                 | 92,275                              | 72,516            | 254,857                            | 185,589          |
| Subtotal reportable segments          | 502,101                             | 428,859           | 1,412,691                          | 1,224,031        |
| Unallocated corporate overhead        | (6,551)                             | (4,132)           | (13,743)                           | (10,462)         |
| Depreciation                          | (171,965)                           | (157,590)         | (498,588)                          | (459,641)        |
| Amortization of intangibles           | (35,337)                            | (32,653)          | (100,237)                          | (96,062)         |
| Impairments and other operating items | (3,104)                             | (3,805)           | (9,819)                            | (442,582)        |
| Interest expense                      | (40,418)                            | (40,636)          | (124,171)                          | (119,562)        |
| Interest income                       | 495                                 | 903               | 2,342                              | 4,396            |
| Other income (expense), net           | 3,140                               | 702               | 5,452                              | (3,046)          |
| Loss on early extinguishment of debt  | (115,288)                           | —                 | (115,288)                          | —                |
| Income before income tax provision    | <u>\$ 133,073</u>                   | <u>\$ 191,648</u> | <u>\$ 558,639</u>                  | <u>\$ 97,072</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, 2021 were specifically designated to the Credit Agreement and accounted for as cash flow hedges.

At September 30, 2021, the Company's derivative instruments included six interest rate swap agreements as follows:

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

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

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

The fair values of derivative instruments designated as cash flow hedges as of September 30, 2021, were as follows:

| Derivatives Designated as Cash<br>Flow Hedges           | Asset Derivatives                         |             | Liability Derivatives              |                    |
|---|---|-------------|------------------------------------|--------------------|
|   | Balance Sheet Location                    | Fair Value  | Balance Sheet Location             | Fair Value         |
| Interest rate swaps                                     | Prepaid expenses and other current assets | \$ —        | Accrued liabilities <sup>(a)</sup> | \$ (20,988)        |
|   |   |             | Other long-term liabilities        | (44,619)           |
| <b>Total derivatives designated as cash flow hedges</b> |   | <b>\$ —</b> |                                    | <b>\$ (65,607)</b> |

(a) Represents the estimated amount of the existing unrealized losses on interest rate swaps as of September 30, 2021 (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, 2020, were as follows:

| Derivatives Designated as Cash<br>Flow Hedges           | Asset Derivatives                         |             | Liability Derivatives       |                    |
|---|---|-------------|-----------------------------|--------------------|
|   | Balance Sheet Location                    | Fair Value  | Balance Sheet Location      | Fair Value         |
| Interest rate swaps                                     | Prepaid expenses and other current assets | \$ —        | Accrued liabilities         | \$ (20,023)        |
|   |   |             | Other long-term liabilities | (74,666)           |
| <b>Total derivatives designated as cash flow hedges</b> |   | <b>\$ —</b> |                             | <b>\$ (94,689)</b> |

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, 2021 and 2020:

| Derivatives<br>Designated as Cash<br>Flow Hedges | Amount of Gain or (Loss) Recognized<br>as AOCIL on Derivatives, Net of Tax <sup>(a)</sup> |          | Statement of<br>Net Income<br>Classification | Amount of (Gain) or Loss Reclassified<br>from AOCIL into Earnings,<br>Net of Tax <sup>(b)</sup> |          |
|--|---|----------|--|---|----------|
|  | Three Months Ended<br>September 30,   |          |  | Three Months Ended<br>September 30,   |          |
|  | 2021  | 2020     |  | 2021  | 2020     |
| Interest rate swaps                              | \$ (295)  | \$ 1,357 | Interest expense                             | \$ 3,780  | \$ 2,126 |

| Derivatives<br>Designated as Cash<br>Flow Hedges | Amount of Gain or (Loss) Recognized<br>as AOCIL on Derivatives, Net of Tax <sup>(a)</sup> |             | Statement of<br>Net Income<br>Classification | Amount of (Gain) or Loss Reclassified<br>from AOCIL into Earnings,<br>Net of Tax <sup>(b)</sup> |          |
|--|---|-------------|--|---|----------|
|  | Nine Months Ended<br>September 30,  |             |  | Nine Months Ended<br>September 30,  |          |
|  | 2021  | 2020        |  | 2021  | 2020     |
| Interest rate swaps                              | \$ 10,349   | \$ (50,014) | Interest expense                             | \$ 11,025   | \$ 3,377 |

(a) In accordance with the derivatives and hedging guidance, the changes in fair values of interest rate swaps have been recorded in equity as a component of AOCIL. As the critical terms of the interest rate swaps match the underlying debt being hedged, all unrealized changes in fair value are recorded in AOCIL.

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

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

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash and equivalents, trade receivables, restricted cash and investments, trade payables, debt instruments, contingent consideration obligations and interest rate swaps. As of September 30, 2021 and December 31, 2020, the carrying values of cash and equivalents, trade receivables, restricted cash

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)

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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, are as follows:

|                             | Carrying Value at     |                      | Fair Value* at        |                      |
|-----------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                             | September 30,<br>2021 | December 31,<br>2020 | September 30,<br>2021 | December 31,<br>2020 |
| 4.64% Senior Notes due 2021 | \$ —                  | \$ 100,000           | \$ —                  | \$ 100,850           |
| 2.39% Senior Notes due 2021 | \$ —                  | \$ 150,000           | \$ —                  | \$ 150,695           |
| 3.09% Senior Notes due 2022 | \$ —                  | \$ 125,000           | \$ —                  | \$ 128,482           |
| 2.75% Senior Notes due 2023 | \$ —                  | \$ 200,000           | \$ —                  | \$ 206,204           |
| 3.24% Senior Notes due 2024 | \$ —                  | \$ 150,000           | \$ —                  | \$ 158,140           |
| 3.41% Senior Notes due 2025 | \$ —                  | \$ 375,000           | \$ —                  | \$ 403,025           |
| 3.03% Senior Notes due 2026 | \$ —                  | \$ 400,000           | \$ —                  | \$ 424,874           |
| 3.49% Senior Notes due 2027 | \$ —                  | \$ 250,000           | \$ —                  | \$ 271,198           |
| 4.25% Senior Notes due 2028 | \$ 500,000            | \$ 500,000           | \$ 573,700            | \$ 597,050           |
| 3.50% Senior Notes due 2029 | \$ 500,000            | \$ 500,000           | \$ 547,350            | \$ 570,450           |
| 2.60% Senior Notes due 2030 | \$ 600,000            | \$ 600,000           | \$ 616,800            | \$ 644,520           |
| 2.20% Senior Notes due 2032 | \$ 650,000            | \$ —                 | \$ 640,250            | \$ —                 |
| 3.05% Senior Notes due 2050 | \$ 500,000            | \$ 500,000           | \$ 495,100            | \$ 540,050           |
| 2.95% Senior Notes due 2052 | \$ 850,000            | \$ —                 | \$ 828,665            | \$ —                 |

\*Senior Notes are classified as Level 2 within the fair value hierarchy. Fair value inputs include third-party calculations of the market interest rate of notes with similar ratings in similar industries over the remaining note terms.

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

#### 14. NET INCOME PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income per common share attributable to the Company's shareholders for the three and nine months ended September 30, 2021 and 2020:

|   | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |             |
|---|-------------------------------------|-------------|------------------------------------|-------------|
|   | 2021                                | 2020        | 2021                               | 2020        |
| Numerator:  |                                     |             |                                    |             |
| Net income attributable to Waste Connections for basic and diluted earnings per share | \$ 114,381                          | \$ 158,049  | \$ 451,736                         | \$ 74,012   |
| Denominator:  |                                     |             |                                    |             |
| Basic shares outstanding  | 260,550,774                         | 262,998,317 | 261,372,827                        | 263,253,087 |
| Dilutive effect of equity-based awards  | 594,446                             | 509,169     | 506,927                            | 464,914     |
| Diluted shares outstanding  | 261,145,220                         | 263,507,486 | 261,879,754                        | 263,718,001 |

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

**15. 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, 2021 and December 31, 2020, the Company's derivative instruments included pay-fixed, receive-variable interest rate swaps. The Company's interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. For the Company's interest rate swaps, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position and the counterparties' creditworthiness in its determination of the fair value measurement of these instruments in a net asset position. The Company's restricted cash and investments are valued at quoted market prices in active markets for similar assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted cash and investments measured at fair value are invested primarily in money market accounts, bank time deposits, U.S. government and agency securities and Canadian bankers' acceptance notes.

The Company's assets and liabilities measured at fair value on a recurring basis at September 30, 2021 and December 31, 2020, were as follows:

|  | <u>Fair Value Measurement at September 30, 2021 Using</u> |   |  |  |
|--|---|---|--|--|
|  | <u>Total</u>  | <u>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| Interest rate swap derivative instruments – net liability position | \$ (65,607)   | \$ —  | \$ (65,607)  | \$ —   |
| Restricted cash  | \$ 118,893  | \$ 118,893  | \$ —   | \$ —   |
| Restricted investments   | \$ 58,769   | \$ —  | \$ 58,769  | \$ —   |
| Contingent consideration   | \$ (66,951)   | \$ —  | \$ —   | \$ (66,951)  |

|  | <u>Fair Value Measurement at December 31, 2020 Using</u> |   |  |  |
|--|--|---|--|--|
|  | <u>Total</u>   | <u>Quoted Prices in<br/>Active Markets<br/>for Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
| Interest rate swap derivative instruments – net liability position | \$ (94,689)  | \$ —  | \$ (94,689)  | \$ —   |
| Restricted cash  | \$ 97,095  | \$ 97,095   | \$ —   | \$ —   |
| Restricted investments   | \$ 58,181  | \$ —  | \$ 58,181  | \$ —   |
| Contingent consideration   | \$ (71,736)  | \$ —  | \$ —   | \$ (71,736)  |

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

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

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the nine months ended September 30, 2021 and 2020:

|  | <u>Nine Months Ended September 30,</u> |                  |
|--|--|------------------|
|  | <u>2021</u>                            | <u>2020</u>      |
| Beginning balance  | \$ 71,736                              | \$ 69,484        |
| Contingent consideration recorded at acquisition date            | 2,512                                  | 3,677            |
| Payment of contingent consideration recorded at acquisition date | (7,998)                                | (2,812)          |
| Payment of contingent consideration recorded in earnings         | (520)                                  | —                |
| Adjustments to contingent consideration                          | 89                                     | 16,852           |
| Interest accretion expense                                       | 1,147                                  | 1,422            |
| Foreign currency translation adjustment                          | (15)                                   | (101)            |
| Ending balance   | <u>\$ 66,951</u>                       | <u>\$ 88,522</u> |

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

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the three and nine months ended September 30, 2021 and 2020 are as follows:

|   | <u>Three Months Ended September 30, 2021</u> |                   |                    |
|---|--|-------------------|--------------------|
|   | <u>Gross</u>                                 | <u>Tax Effect</u> | <u>Net of Tax</u>  |
| Interest rate swap amounts reclassified into interest expense | \$ 5,143                                     | \$ (1,363)        | \$ 3,780           |
| Changes in fair value of interest rate swaps                  | (401)  | 106               | (295)              |
| Foreign currency translation adjustment                       | (64,197)                                     | —                 | (64,197)           |
|   | <u>\$ (59,455)</u>                           | <u>\$ (1,257)</u> | <u>\$ (60,712)</u> |

|   | <u>Three Months Ended September 30, 2020</u> |                   |                   |
|---|--|-------------------|-------------------|
|   | <u>Gross</u>                                 | <u>Tax Effect</u> | <u>Net of Tax</u> |
| Interest rate swap amounts reclassified into interest expense | \$ 2,893                                     | \$ (767)          | \$ 2,126          |
| Changes in fair value of interest rate swaps                  | 1,846  | (489)             | 1,357             |
| Foreign currency translation adjustment                       | 45,886                                       | —                 | 45,886            |
|   | <u>\$ 50,625</u>                             | <u>\$ (1,256)</u> | <u>\$ 49,369</u>  |

|   | <u>Nine Months Ended September 30, 2021</u> |                   |                   |
|---|---|-------------------|-------------------|
|   | <u>Gross</u>                                | <u>Tax Effect</u> | <u>Net of Tax</u> |
| Interest rate swap amounts reclassified into interest expense | \$ 15,000                                   | \$ (3,975)        | \$ 11,025         |
| Changes in fair value of interest rate swaps                  | 14,081                                      | (3,732)           | 10,349            |
| Foreign currency translation adjustment                       | (3,170)                                     | —                 | (3,170)           |
|   | <u>\$ 25,911</u>                            | <u>\$ (7,707)</u> | <u>\$ 18,204</u>  |

|   | <u>Nine Months Ended September 30, 2020</u> |                   |                     |
|---|---|-------------------|---------------------|
|   | <u>Gross</u>                                | <u>Tax Effect</u> | <u>Net of Tax</u>   |
| Interest rate swap amounts reclassified into interest expense | \$ 4,595                                    | \$ (1,218)        | \$ 3,377            |
| Changes in fair value of interest rate swaps                  | (68,047)                                    | 18,033            | (50,014)            |
| Foreign currency translation adjustment                       | (55,738)                                    | —                 | (55,738)            |
|   | <u>\$ (119,190)</u>                         | <u>\$ 16,815</u>  | <u>\$ (102,375)</u> |

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

A rollforward of the amounts included in AOCIL, net of taxes, for the nine months ended September 30, 2021 and 2020, is as follows:

|   | Interest<br>Rate Swaps | Foreign<br>Currency<br>Translation<br>Adjustment | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|---|------------------------|--|--|
| Balance at December 31, 2020            | \$ (69,596)            | \$ 68,945  | \$ (651)   |
| Amounts reclassified into earnings      | 11,025                 | —  | 11,025   |
| Changes in fair value                   | 10,349                 | —  | 10,349   |
| Foreign currency translation adjustment | —                      | (3,170)  | (3,170)  |
| Balance at September 30, 2021           | <u>\$ (48,222)</u>     | <u>\$ 65,775</u>                                 | <u>\$ 17,553</u>                                       |

|   | Interest<br>Rate Swaps | Foreign<br>Currency<br>Translation<br>Adjustment | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|---|------------------------|--|--|
| Balance at December 31, 2019            | \$ (29,255)            | \$ 18,292  | \$ (10,963)  |
| Amounts reclassified into earnings      | 3,377                  | —  | 3,377  |
| Changes in fair value                   | (50,014)               | —  | (50,014)   |
| Foreign currency translation adjustment | —                      | (55,738)   | (55,738)   |
| Balance at September 30, 2020           | <u>\$ (75,892)</u>     | <u>\$ (37,446)</u>                               | <u>\$ (113,338)</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, 2021, is presented below:

|                                   | <u>Unvested Shares</u> |
|-----------------------------------|------------------------|
| Outstanding at December 31, 2020  | 772,625                |
| Granted                           | 454,573                |
| Forfeited                         | (53,285)               |
| Vested and issued                 | (342,701)              |
| Outstanding at September 30, 2021 | <u>831,212</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, 2021 was \$97.76.

Recipients of the Company's RSUs who participate in the Company's Nonqualified Deferred Compensation Plan may have elected in years prior to 2015 to defer some or all of their RSUs as they vest until a specified date or dates they choose. At the end of the deferral periods, unless a qualified participant makes certain other elections, the Company issues

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)

to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At September 30, 2021 and 2020, the Company had 100,861 and 178,119 vested deferred RSUs outstanding, respectively.

*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, 2021, is presented below:

|                                   | <u>Unvested Shares</u> |
|-----------------------------------|------------------------|
| Outstanding at December 31, 2020  | 434,558                |
| Granted                           | 116,784                |
| Forfeited                         | (5,048)                |
| Vested and issued                 | (154,251)              |
| Outstanding at September 30, 2021 | <u>392,043</u>         |

During the nine months ended September 30, 2021, 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, 2023. 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, 2021 was \$96.99.

*Deferred Share Units*

A summary of activity related to deferred share units (“DSUs”) during the nine-month period ended September 30, 2021, is presented below:

|                                   | <u>Vested Shares</u> |
|-----------------------------------|----------------------|
| Outstanding at December 31, 2020  | 21,586               |
| Granted                           | 2,856                |
| Outstanding at September 30, 2021 | <u>24,442</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, 2021 was \$99.80.

*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

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)

vesting. A summary of activity related to Progressive Waste RSUs during the nine-month period ended September 30, 2021, is presented below:

|                                   |               |
|-----------------------------------|---------------|
| Outstanding at December 31, 2020  | 66,554        |
| Cash settled                      | (1,318)       |
| Outstanding at September 30, 2021 | <u>65,236</u> |

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

*Share Based Options*

Share based options outstanding under the Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting. A summary of activity related to Progressive Waste share based options during the nine-month period ended September 30, 2021, is presented below:

|                                   |               |
|-----------------------------------|---------------|
| Outstanding at December 31, 2020  | 51,200        |
| Cash settled                      | (5,331)       |
| Outstanding at September 30, 2021 | <u>45,869</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.

Employee Share Purchase Plan

On May 15, 2020, the Company’s shareholders approved the 2020 Employee Share Purchase Plan (the “ESPP”). Under the ESPP, qualified employees may elect to have payroll deductions withheld from their eligible compensation on each payroll date in amounts equal to or greater than one percent (1%) but not in excess of ten percent (10%) of eligible compensation in order to purchase the Company’s common shares under certain terms and subject to certain restrictions set forth in the ESPP. The exercise price is equal to 95% of the closing price of the Company’s common shares on the last day of the relevant offering period, subject to certain restrictions. The maximum number of shares that may be issued under the ESPP is 1,000,000. Under the ESPP, employees purchased 10,813 of the Company’s common shares for \$1,275 during the nine months ended September 30, 2021.

Normal Course Issuer Bid

On July 27, 2021, 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 13,025,895 of the Company’s common shares during the period of August 10, 2021 to August 9, 2022 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 9, 2021. The Company received Toronto Stock Exchange (the “TSX”) approval for its annual renewal of the NCIB on August 6, 2021. 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.

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)

In accordance with TSX rules, any daily repurchases made through the TSX and alternative Canadian trading systems is limited to a maximum of 75,704 common shares, which represents 25% of the average daily trading volume on the TSX of 302,816 common shares for the period from February 1, 2021 to July 31, 2021. The TSX rules also allow the Company to purchase, once a week, a block of common shares not owned by any insiders, which may exceed such daily limit. The maximum number of shares that can be purchased per day on the NYSE will be 25% of the average daily trading volume for the four calendar weeks preceding the date of purchase, subject to certain exceptions for block purchases.

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

For the nine months ended September 30, 2021, the Company repurchased 2,745,990 common shares pursuant to the NCIB in effect during that period at an aggregate cost of \$305,640. During the nine months ended September 30, 2020, the Company repurchased 1,271,977 common shares pursuant to the NCIB at an aggregate cost of \$105,654. As of September 30, 2021, the remaining maximum number of shares available for repurchase under the current NCIB was 13,025,895.

#### Cash Dividend

In October 2020, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.02, from \$0.185 to \$0.205 per Company common share. Cash dividends of \$160,754 and \$145,921 were paid during the nine months ended September 30, 2021 and 2020, respectively.

### **18. COMMITMENTS AND CONTINGENCIES**

In the normal course of its business and as a result of the extensive governmental regulation of the solid waste and E&P waste industries, the Company is subject to various judicial and administrative proceedings involving Canadian regulatory authorities as well as U.S. federal, state and local agencies. In these proceedings, an agency may subpoena the Company for records, or seek to impose fines on the Company or revoke or deny renewal of an authorization held by the Company, including an operating permit. From time to time, the Company may also be subject to actions brought by special interest or other groups, adjacent landowners or residents in connection with the permitting and licensing of landfills, transfer stations, and E&P waste treatment, recovery and disposal operations, or alleging environmental damage or violations of the permits and licenses pursuant to which the Company operates. The Company uses \$1,000 as a threshold (up from the previously required threshold of \$300) for disclosing environmental matters involving potential monetary sanctions.

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, 2021, 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

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)

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 that the remedial design for the upper reach could be completed by August 2024. In late September 2020, the EPA informed attorneys for several PRPs that the work may be completed by late 2023 or early 2024.

On August 16, 2016, the EPA sent individual letters to each of the PRPs for the LDW Site, including NWCS, stating that it expected to initiate negotiations with all PRPs in early 2018 relating to a Remedial Design/Remedial Action (“RD/RA”) Consent Decree. An RD/RA Consent Decree provides for the cleanup of the entire site and is often referred to as a “global settlement.” In August 2014, NWCS entered into an Alternative Dispute Resolution Memorandum of Agreement with several dozen other PRPs and a neutral allocator to conduct a confidential and non-binding allocation of certain past response costs allegedly incurred at the LDW Site as well as the anticipated future response costs associated with the clean-up. 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 first to early 2020 and then to July 2020. The EPA was informed of those changes. The allocator issued his preliminary allocation report on June 28, 2021. The final allocation report will be issued only after the allocator considers comments of the parties on the preliminary report. In July 2021, the EPA was informed of the issuance of the preliminary allocation report in a telephone conference with allocation participants. In that call, the EPA reiterated its expectation that settlement negotiations would begin in 2022. 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

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

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 over two million tons of materials for disposal and beneficial use in 2020. The Application requested expansion of the existing waste footprint on CCL’s contiguous property, an increase in maximum elevation, creation of a new entrance and new support facilities, construction of a facility for the County or another third-party operator to host household hazardous waste collection events, designation of an area for mixed organics/composting, and other modifications.

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

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

Extensive motions practice and an interlocutory appeal occurred in 2018 and 2019 over the permissible scope of CCL’s challenge to the CUP, specifically 13 operational conditions in the CUP. The Superior Court ruled in CCL’s favor on November 13, 2019, finding that the County was estopped from contending that CCL has waived its rights to challenge the legality of the 13 operational conditions. The County sought interlocutory review of the Superior Court’s decision in the Court of Appeal, which denied the County’s petition on February 7, 2020.

Following full briefing and oral argument on June 22, 2020 on six of CCL’s causes of action, the Superior Court issued its decision on July 2, 2020, granting CCL’s petition for writ of mandate in part and denying it in part. CCL prevailed with respect to 12 of the challenged conditions, many of which imposed new fees and exactions on the Landfill. Before

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

entry of final judgment, the Superior Court will hear CCL's remaining causes of action. A trial on CCL's remaining causes of action is scheduled for August 1, 2022. Once the Superior Court has entered final judgment, CCL and the County will be permitted to appeal any adverse ruling to the California Court of Appeal. After entry of final judgment and resolution of any appeals, the Superior Court will issue a writ directing the County Board of Supervisors to set aside its decision on the permit with respect to 12 of the challenged conditions. The Board will be allowed to make additional findings to support four of those conditions and reconsider its permit decision in light of the Superior Court's writ. CCL will continue to vigorously prosecute the lawsuit. However, at this point, the Company is not able to determine the likelihood of any outcome in this matter.

**B. 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, described above under paragraph A (the "CUP lawsuit").

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 was issued on July 10, 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 July 17, 2018, the Court granted CCL leave to pay the \$11,600 B&T fee and to amend its Complaint in the CUP lawsuit to reflect the payment under protest, allowing the challenge to the B&T fee under the Mitigation Fee Act to proceed in the CUP lawsuit. CCL paid the B&T fee under protest on August 10, 2018, and also paid on that date the administrative penalty of \$83 and a noncompliance fee of \$0.75. The Court indicated that the NOV case would be coordinated with the CUP lawsuit. The NOV case has been continued multiple times as the CUP lawsuit was adjudicated; it is now set for trial on January 18, 2022. The Superior Court's July 2, 2020 decision in the CUP lawsuit upheld the B&T fee against a Mitigation Fee Act challenge, and addressed two other conditions that were also the subject of the NOV, which may impact the scope of the B&T fee/NOV case. 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.

**19. SUBSEQUENT EVENTS**

On October 27, 2021, the Company announced that its Board of Directors increased its regular quarterly cash dividend by \$0.025, from 0.205 to \$0.23 per Company common share, and then declared a regular quarterly cash dividend of \$0.23 per Company common share. The dividend will be paid on November 23, 2021, to shareholders of record on the close of business on November 9, 2021.