

These financial statements for Waste Connections, Inc. are also included in the Form 10-K for the year ended December 31, 2016 filed on SEDAR on February 27, 2017 in its entirety.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Waste Connections, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Waste Connections, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the valuation of certain assets in the application of the acquisition method of accounting for business combinations, specifically the development and application of inputs, assumptions and calculations used in the fair value measurement of assets associated with business combinations, existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Houston, Texas
February 27, 2017

WASTE CONNECTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and equivalents	\$ 154,382	\$ 10,974
Accounts receivable, net of allowance for doubtful accounts of \$13,160 and \$7,738 at December 31, 2016 and 2015, respectively	485,138	255,192
Deferred income taxes	89,177	49,727
Current assets held for sale	6,339	-
Prepaid expenses and other current assets	97,533	46,534
Total current assets	832,569	362,427
Property and equipment, net	4,738,055	2,738,288
Goodwill	4,390,261	1,422,825
Intangible assets, net	1,067,158	511,294
Restricted assets	63,406	46,232
Long-term assets held for sale	33,989	-
Other assets, net	67,664	40,732
	\$ 11,193,102	\$ 5,121,798
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 251,253	\$ 115,206
Book overdraft	10,955	12,357
Accrued liabilities	269,402	136,018
Deferred revenue	134,081	90,349
Current portion of contingent consideration	21,453	22,217
Current liabilities held for sale	3,383	-
Current portion of long-term debt and notes payable	1,650	2,127
Total current liabilities	692,177	378,274
Long-term debt and notes payable	3,616,760	2,147,127
Long-term portion of contingent consideration	30,373	27,177
Other long-term liabilities	331,074	124,943
Deferred income taxes	867,841	452,493
Total liabilities	5,538,225	3,130,014
Commitments and contingencies (Note 10)		
Equity:		
Common shares: 175,426,824 shares issued and 175,201,895 shares outstanding at December 31, 2016; 122,375,955 shares issued and outstanding at December 31, 2015	4,174,808	1,224
Additional paid-in capital	102,220	736,652
Accumulated other comprehensive loss	(43,001)	(12,171)
Treasury shares: 224,929 and 0 shares at December 31, 2016 and 2015, respectively	-	-
Retained earnings	1,413,488	1,259,495
Total Waste Connections' equity	5,647,515	1,985,200
Noncontrolling interest in subsidiaries	7,362	6,584
Total equity	5,654,877	1,991,784
	\$ 11,193,102	\$ 5,121,798

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

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31,		
	2016	2015	2014
Revenues	\$ 3,375,863	\$ 2,117,287	\$ 2,079,166
Operating expenses:			
Cost of operations	1,957,712	1,177,409	1,138,388
Selling, general and administrative	474,263	237,484	229,474
Depreciation	393,600	240,357	230,944
Amortization of intangibles	70,312	29,077	27,000
Impairments and other operating items	27,678	494,492	4,091
Operating income (loss)	<u>452,298</u>	<u>(61,532)</u>	<u>449,269</u>
Interest expense	(92,709)	(64,236)	(64,674)
Other income (expense), net	655	(518)	1,067
Foreign currency transaction gain	1,121	-	-
Income (loss) before income tax provision	<u>361,365</u>	<u>(126,286)</u>	<u>385,662</u>
Income tax (provision) benefit	(114,044)	31,592	(152,335)
Net income (loss)	<u>247,321</u>	<u>(94,694)</u>	<u>233,327</u>
Less: Net income attributable to noncontrolling interests	(781)	(1,070)	(802)
Net income (loss) attributable to Waste Connections	<u>\$ 246,540</u>	<u>\$ (95,764)</u>	<u>\$ 232,525</u>
Earnings (loss) per common share attributable to Waste Connections' common shareholders:			
Basic	\$ <u>1.61</u>	\$ <u>(0.78)</u>	\$ <u>1.87</u>
Diluted	\$ <u>1.60</u>	\$ <u>(0.78)</u>	\$ <u>1.86</u>
Shares used in the per share calculations:			
Basic	<u>153,550,008</u>	<u>123,491,931</u>	<u>124,215,346</u>
Diluted	<u>154,054,331</u>	<u>123,491,931</u>	<u>124,787,421</u>
Cash dividends per common share	<u>\$ 0.615</u>	<u>\$ 0.535</u>	<u>\$ 0.475</u>

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

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31,		
	2016	2015	2014
Net income (loss)	\$ 247,321	\$ (94,694)	\$ 233,327
Other comprehensive income (loss), before tax:			
Interest rate swap amounts reclassified into interest expense	6,654	5,093	4,581
Fuel hedge amounts reclassified into cost of operations	5,832	3,217	(823)
Changes in fair value of interest rate swaps	11,431	(7,746)	(6,448)
Changes in fair value of fuel hedges	3,804	(11,138)	(3,355)
Foreign currency translation adjustment	(50,931)	-	-
Other comprehensive loss, before tax	(23,210)	(10,574)	(6,045)
Income tax (expense) benefit related to items of other comprehensive loss	(7,620)	3,996	2,321
Other comprehensive loss, net of tax	(30,830)	(6,578)	(3,724)
Comprehensive income (loss)	216,491	(101,272)	229,603
Less: Comprehensive income attributable to noncontrolling interests	(781)	(1,070)	(802)
Comprehensive income (loss) attributable to Waste Connections	\$ 215,710	\$ (102,342)	\$ 228,801

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

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT SHARE AMOUNTS)

	WASTE CONNECTIONS' EQUITY								
	COMMON SHARES		ADDITIONAL PAID-IN	ACCUMULATED OTHER	TREASURY SHARES		RETAINED	NONCONTROLLING	
	SHARES	AMOUNT	CAPITAL	COMPREHENSIVE INCOME (LOSS)	SHARES	AMOUNT	EARNINGS	INTERESTS	TOTAL
Balances at December 31, 2013	123,566,487	\$ 1,236	\$ 796,085	\$ (1,869)	-	-	\$ 1,247,630	\$ 5,125	\$ 2,048,207
Vesting of restricted share units	492,695	5	(5)	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	10,665	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of restricted share units	(159,936)	(1)	(6,813)	-	-	-	-	-	(6,814)
Equity-based compensation	-	-	18,446	-	-	-	-	-	18,446
Exercise of share options and warrants	241,716	2	3,373	-	-	-	-	-	3,375
Excess tax benefit associated with equity-based compensation	-	-	7,518	-	-	-	-	-	7,518
Repurchase of common shares	(167,100)	(2)	(7,315)	-	-	-	-	-	(7,317)
Cash dividends on common shares	-	-	-	-	-	-	(58,906)	-	(58,906)
Amounts reclassified into earnings, net of taxes	-	-	-	2,317	-	-	-	-	2,317
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(6,041)	-	-	-	-	(6,041)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(371)	(371)
Net income	-	-	-	-	-	-	232,525	802	233,327
Balances at December 31, 2014	123,984,527	1,240	811,289	(5,593)	-	-	1,421,249	5,556	2,233,741
Vesting of restricted share units	432,165	4	(4)	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	14,082	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of restricted share units	(138,611)	(1)	(6,446)	-	-	-	-	-	(6,447)
Equity-based compensation	-	-	20,318	-	-	-	-	-	20,318
Exercise of share options and warrants	46,781	1	571	-	-	-	-	-	572
Excess tax benefit associated with equity-based compensation	-	-	2,069	-	-	-	-	-	2,069
Repurchase of common shares	(1,962,989)	(20)	(91,145)	-	-	-	-	-	(91,165)
Cash dividends on common shares	-	-	-	-	-	-	(65,990)	-	(65,990)
Amounts reclassified into earnings, net of taxes	-	-	-	5,148	-	-	-	-	5,148
Changes in fair value of cash flow hedges, net of taxes	-	-	-	(11,726)	-	-	-	-	(11,726)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(42)	(42)
Net income (loss)	-	-	-	-	-	-	(95,764)	1,070	(94,694)
Balances at December 31, 2015	122,375,955	1,224	736,652	(12,171)	-	-	1,259,495	6,584	1,991,784
Conversion of Old Waste Connections' shares of common stock into common shares of New Waste Connections	-	650,552	(650,552)	-	-	-	-	-	-
Issuance of common shares to acquire Progressive Waste	52,145,919	3,503,162	-	-	-	-	-	-	3,503,162
Acquired common shares held in trust	-	-	-	-	490,112	-	-	-	-
Sale of common shares held in trust	265,183	19,870	-	-	(265,183)	-	-	-	19,870
Vesting of restricted share units	403,812	-	-	-	-	-	-	-	-
Vesting of performance-based restricted share units	122,960	-	-	-	-	-	-	-	-
Restricted share units released from deferred compensation plan	39,757	-	-	-	-	-	-	-	-
Tax withholdings related to net share settlements of restricted share units	(186,515)	-	(11,497)	-	-	-	-	-	(11,497)
Equity-based compensation	-	-	22,421	-	-	-	-	-	22,421
Exercise of warrants	34,824	-	-	-	-	-	-	-	-
Excess tax benefit associated with equity-based compensation	-	-	5,196	-	-	-	-	-	5,196
Cash dividends on common shares	-	-	-	-	-	-	(92,547)	-	(92,547)
Amounts reclassified into earnings, net of taxes	-	-	-	8,546	-	-	-	-	8,546
Changes in fair value of cash flow hedges, net of taxes	-	-	-	11,555	-	-	-	-	11,555
Foreign currency translation adjustment	-	-	-	(50,931)	-	-	-	-	(50,931)
Distributions to noncontrolling interests	-	-	-	-	-	-	-	(3)	(3)
Net income	-	-	-	-	-	-	246,540	781	247,321
Balances at December 31, 2016	175,201,895	\$ 4,174,808	\$ 102,220	\$ (43,001)	224,929	\$ -	\$ 1,413,488	\$ 7,362	\$ 5,654,877

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

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF U.S. DOLLARS)

	Years Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 247,321	\$ (94,694)	\$ 233,327
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss on disposal of assets and impairments	26,741	518,657	8,239
Depreciation	393,600	240,357	230,944
Amortization of intangibles	70,312	29,077	27,000
Foreign currency transaction gain	(1,121)	-	-
Deferred income taxes, net of acquisitions	42,298	(132,454)	31,031
Amortization of debt issuance costs	4,847	3,097	3,085
Share-based compensation	44,772	20,318	18,446
Interest income on restricted assets	(477)	(428)	(446)
Interest accretion	10,505	6,761	5,076
Excess tax benefit associated with equity-based compensation	(5,196)	(2,069)	(7,518)
Payment of contingent consideration recorded in earnings	(493)	-	(1,074)
Adjustments to contingent consideration	(2,623)	(22,180)	(3,450)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net	(5,252)	17,348	(22,168)
Prepaid expenses and other current assets	(21,650)	(2,780)	(3,868)
Accounts payable	54,219	(16,674)	10,173
Deferred revenue	8,016	4,377	8,571
Accrued liabilities	(70,041)	8,217	4,985
Other long-term liabilities	(466)	69	2,724
Net cash provided by operating activities	<u>795,312</u>	<u>576,999</u>	<u>545,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for acquisitions, net of cash acquired	(17,131)	(230,517)	(126,181)
Cash acquired in the Progressive Waste acquisition	65,768	-	-
Capital expenditures for property and equipment	(344,723)	(238,833)	(241,277)
Proceeds from disposal of assets	4,604	2,883	9,421
Change in restricted assets, net of interest income	(428)	(2,225)	(4,475)
Other	(4,485)	(1,842)	(896)
Net cash used in investing activities	<u>(296,395)</u>	<u>(470,534)</u>	<u>(363,408)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	3,469,289	1,489,500	432,500
Principal payments on notes payable and long-term debt	(3,714,044)	(1,429,195)	(525,909)
Payment of contingent consideration recorded at acquisition date	(16,322)	(2,190)	(24,847)
Change in book overdraft	(1,305)	(89)	(11)
Proceeds from option and warrant exercises	-	572	3,375
Excess tax benefit associated with equity-based compensation	5,196	2,069	7,518
Payments for repurchase of common shares	-	(91,165)	(7,317)
Payments for cash dividends	(92,547)	(65,990)	(58,906)
Tax withholdings related to net share settlements of restricted share units	(11,497)	(6,447)	(6,814)
Distributions to noncontrolling interests	(3)	(42)	(371)
Debt issuance costs	(13,506)	(6,867)	(125)
Proceeds from sale of common shares held in trust	19,870	-	-
Net cash used in financing activities	<u>(354,869)</u>	<u>(109,844)</u>	<u>(180,907)</u>
Effect of exchange rate changes on cash and equivalents	<u>(598)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	143,450	(3,379)	762
Cash and equivalents at beginning of year	10,974	14,353	13,591
Less: cash held for sale	(42)	-	-
Cash and equivalents at end of year	<u>\$ 154,382</u>	<u>\$ 10,974</u>	<u>\$ 14,353</u>

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

WASTE CONNECTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF U.S. DOLLARS)

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH TRANSACTIONS:

	Years Ended December 31,		
	2016	2015	2014
Cash paid for income taxes	\$ 69,589	\$ 102,279	\$ 116,239
Cash paid for interest	\$ 87,654	\$ 55,674	\$ 60,224
Accrued capital expenditures for property and equipment	\$ 24,871	\$ 3,648	\$ 3,255
In connection with its acquisitions, the Company assumed liabilities as follows:			
Fair value of assets acquired	\$ 6,023,667	\$ 433,227	\$ 172,875
Cash acquired	65,768	-	-
Cash paid and common shares issued for acquisition	(3,520,293)	(230,517)	(126,181)
Liabilities assumed and notes payable issued to sellers of businesses acquired	\$ 2,569,142	\$ 202,710	\$ 46,694

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

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

1. ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

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

Old Waste Connections was incorporated in Delaware on September 9, 1997, and commenced its operations on October 1, 1997, through the purchase of certain solid waste operations in the state of Washington. The Company (as defined below) is an integrated solid waste services company that provides waste collection, transfer, disposal and recycling services in mostly exclusive and secondary markets in the U.S. and Canada. Through its R360 Environmental Solutions subsidiary, the Company is also a leading provider of non-hazardous exploration and production (“E&P”) waste treatment, recovery and disposal services in several of the most active natural resource producing areas in the U.S. The Company also provides intermodal services for the rail haul movement of cargo and solid waste containers in the Pacific Northwest through a network of intermodal facilities.

Basis of Presentation

As further discussed in Note 3 – “Acquisitions,” the Progressive Waste acquisition was accounted for as a reverse merger using the acquisition method of accounting. Old Waste Connections has been identified as the acquirer for accounting purposes and the acquisition method of accounting has been applied. The term “Progressive Waste” is used herein in the context of references to Progressive Waste Solutions Ltd. and its shareholders prior to the completion of the Progressive Waste acquisition on June 1, 2016.

The accompanying consolidated financial statements relating to Waste Connections, Inc. (together with its subsidiaries, “New Waste Connections,” “Waste Connections” or the “Company”) are the historical financial statements of Old Waste Connections, together with its subsidiaries, for the years ended December 31, 2016, 2015 and 2014, with the inclusion on June 1, 2016 of the fair value of the assets and liabilities acquired from Progressive Waste and the inclusion of the results of operations from the acquired Progressive Waste operations commencing on June 1, 2016. All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at purchase to be cash equivalents. As of December 31, 2016 and 2015, cash equivalents consisted of demand money market accounts.

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and equivalents, restricted assets and accounts receivable. The Company maintains cash and equivalents with banks that at times exceed applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with high quality financial institutions. The Company's restricted assets are invested primarily in U.S. government and agency securities and Canadian bankers' acceptance notes. The Company has not experienced any losses related to its cash and equivalents or restricted asset accounts. The Company generally does not require collateral on its trade receivables. Credit risk on accounts receivable is minimized as a result of the large and diverse nature of the Company's customer base. The Company maintains allowances for losses based on the expected collectability of accounts receivable.

Revenue Recognition and Accounts Receivable

Revenues are recognized when persuasive evidence of an arrangement exists, the service has been provided, the price is fixed or determinable and collection is reasonably assured. Certain customers are billed in advance and, accordingly, recognition of the related revenues is deferred until the services are provided. In accordance with revenue recognition guidance, any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer is presented in the Statements of Net Income (Loss) on a net basis (excluded from revenues).

The Company's receivables 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 doubtful accounts, represents their estimated net realizable value. The Company estimates its allowance for doubtful accounts based on historical collection trends, type of customer such as municipal or non-municipal, the age of outstanding receivables and existing economic conditions. 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.

Property and Equipment

Property and equipment are stated at cost. Improvements or betterments, not considered to be maintenance and repair, which add new functionality or significantly extend the life of an asset are capitalized. Third-party expenditures related to pending development projects, such as legal and engineering expenses, are capitalized. Expenditures for maintenance and repair costs, including planned major maintenance activities, are charged to expense as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains and losses resulting from disposals of property and equipment are recognized in the period in which the property and equipment is disposed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the lease term, whichever is shorter.

The estimated useful lives are as follows:

Buildings	10 – 20 years
Leasehold and land improvements	3 – 10 years
Machinery and equipment	3 – 12 years
Rolling stock	2 – 10 years
Containers	5 – 12 years

Landfill Accounting

The Company utilizes the life cycle method of accounting for landfill costs. This method applies the costs to be capitalized associated with acquiring, developing, closing and monitoring the landfills over the associated consumption of landfill capacity. The Company utilizes the units of consumption method to amortize landfill development costs over the estimated remaining capacity of a landfill. Under this method, the Company includes future estimated construction costs using current dollars, as well as costs incurred to date, in the amortization base. When certain criteria are met, the Company includes expansion airspace, which has not been permitted, in the calculation of the total remaining capacity of the landfill.

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

- Landfill development costs. Landfill development costs include the costs of acquisition, construction associated with excavation, liners, site berms, groundwater monitoring wells, gas recovery systems and leachate collection systems. The Company estimates the total costs associated with developing each landfill site to its final capacity. This includes certain projected landfill site costs that are uncertain because they are dependent on future events and thus actual costs could vary significantly from estimates. The total cost to develop a site to its final capacity includes amounts previously expended and capitalized, net of accumulated depletion, and projections of future purchase and development costs, liner construction costs, and operating construction costs. Total landfill costs include the development costs associated with expansion airspace. Expansion airspace is addressed below.
- Final capping, closure and post-closure obligations. The Company accrues for estimated final capping, closure and post-closure maintenance obligations at the landfills it owns and the landfills that it operates, but does not own, under life-of-site agreements. Accrued final capping, closure and post-closure costs represent an estimate of the current value of the future obligation associated with final capping, closure and post-closure monitoring of non-hazardous solid waste landfills currently owned or operated under life-of-site agreements by the Company. Final capping costs represent the costs related to installation of clay liners, drainage and compacted soil layers and topsoil constructed over areas of the landfill where total airspace capacity has been consumed. Closure and post-closure monitoring and maintenance costs represent the costs related to cash expenditures yet to be incurred when a landfill facility ceases to accept waste and closes. Accruals for final capping, closure and post-closure monitoring and maintenance requirements in the U.S. consider site inspection, groundwater monitoring, leachate management, methane gas control and recovery, and operating and maintenance costs to be incurred during the period after the facility closes. Certain of these environmental costs, principally capping and methane gas control costs, are also incurred during the operating life of the site in accordance with the landfill operation requirements of Subtitle D and the air emissions standards. Daily maintenance activities, which include many of these costs, are expensed as incurred during the operating life of the landfill. Daily maintenance activities include leachate disposal; surface water, groundwater, and methane gas monitoring and maintenance; other pollution control activities; mowing and fertilizing the landfill final cap; fence and road maintenance; and third-party inspection and reporting costs. Site specific final capping, closure and post-closure engineering cost estimates are prepared annually for landfills owned or landfills operated under life-of-site agreements by the Company.

The net present value of landfill final capping, closure and post-closure liabilities are calculated by estimating the total obligation in current dollars, inflating the obligation based upon the expected date of the expenditure and discounting the inflated total to its present value using a credit-adjusted risk-free rate. Any changes in expectations that result in an upward revision to the estimated undiscounted cash flows are treated as a new liability and are inflated and discounted at rates reflecting current market conditions. Any changes in expectations that result in a downward revision (or no revision) to the estimated undiscounted cash flows result in a liability that is inflated and discounted at rates reflecting the market conditions at the time the cash flows were originally estimated. This policy results in the Company's final capping, closure and post-closure liabilities being recorded in "layers." The Company's discount rate assumption for purposes of computing 2016 and 2015 "layers" for final capping, closure and post-closure obligations was 4.75% for both years, which reflects the Company's long-term credit adjusted risk free rate as of the end of both 2015 and 2014. The Company's inflation rate assumption was 2.5% for the years ended December 31, 2016 and 2015.

In accordance with the accounting guidance on asset retirement obligations, the final capping, closure and post-closure liability is recorded on the balance sheet along with an offsetting addition to site costs which is amortized to depletion expense on a units-of-consumption basis as remaining landfill airspace is consumed. The impact of changes determined to be changes in estimates, based on an annual update, is accounted for on a prospective basis. Depletion expense resulting from final capping, closure and post-closure obligations recorded as a component of landfill site costs will generally be less during the early portion of a landfill's operating life and increase thereafter. Owned landfills and landfills operated under life-of-site agreements have estimated remaining lives, based on remaining permitted capacity, probable expansion capacity and projected annual disposal volumes, that range from approximately 1 to 183 years, with an average remaining life of approximately 33 years. The costs for final capping, closure and post-closure obligations at landfills the Company owns or operates under life-of-site agreements are generally estimated based on interpretations of current requirements and proposed or anticipated regulatory changes.

The estimates for landfill final capping, closure and post-closure costs consider when the costs would actually be paid and factor in inflation and discount rates. Interest is accreted on the recorded liability using the corresponding discount rate. When using discounted cash flow techniques, reliable estimates of market premiums may not be obtainable. In the waste industry, there is no market for selling the responsibility for final capping, closure and post-closure obligations independent of selling the landfill in its

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entirety. Accordingly, the Company does not believe that it is possible to develop a methodology to reliably estimate a market risk premium and has therefore excluded any such market risk premium from its determination of expected cash flows for landfill asset retirement obligations. The possibility of changing legal and regulatory requirements and the forward-looking nature of these types of costs make any estimation or assumption less certain.

The following is a reconciliation of the Company's final capping, closure and post-closure liability balance from December 31, 2014 to December 31, 2016:

Final capping, closure and post-closure liability at December 31, 2014	\$ 61,500
Adjustments to final capping, closure and post-closure liabilities	89
Liabilities incurred	4,690
Accretion expense associated with landfill obligations	3,759
Closure payments	(72)
Assumption of closure liabilities from acquisitions	<u>8,647</u>
Final capping, closure and post-closure liability at December 31, 2015	78,613
Adjustments to final capping, closure and post-closure liabilities	(6,797)
Liabilities incurred	10,922
Accretion expense associated with landfill obligations	8,699
Closure payments	(4,609)
Assumption of closure liabilities from acquisitions	<u>158,081</u>
Final capping, closure and post-closure liability at December 31, 2016	<u>\$ 244,909</u>

Liabilities incurred of \$10,922 and \$4,690 for the years ended December 31, 2016 and 2015, respectively, represent non-cash increases to final capping, closure and post-closure liabilities. The Adjustments to final capping, closure and post-closure liabilities for the year ended December 31, 2016, primarily consisted of increases in estimated airspace at some of the Company's landfills at which expansions are being pursued, decreases in estimated annual tonnage consumptions at various landfills, decreases in estimated closure costs at some of the Company's landfills and changes in engineering estimates of total site capacity. The final capping, closure and post-closure liability is included in Other long-term liabilities in the Consolidated Balance Sheets. The Company performs its annual review of its cost and capacity estimates in the first quarter of each year.

At December 31, 2016 and 2015, \$55,388 and \$43,636, respectively, of the Company's restricted assets balance was for purposes of securing its performance of future final capping, closure and post-closure obligations.

- **Disposal capacity.** The Company's internal and third-party engineers perform surveys at least annually to estimate the remaining disposal capacity at its landfills. This is done by using surveys and other methods to calculate, based on the terms of the permit, height restrictions and other factors, how much airspace is left to fill and how much waste can be disposed of at a landfill before it has reached its final capacity. 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 the following criteria is included in the estimate of total landfill airspace:
 - 1) whether the land where the expansion is being sought is contiguous to the current disposal site, and the Company either owns the expansion property or has rights to it under an option, purchase, operating or other similar agreement;
 - 2) whether total development costs, final capping costs, and closure/post-closure costs have been determined;
 - 3) whether internal personnel have performed a financial analysis of the proposed expansion site and have determined that it has a positive financial and operational impact;
 - 4) whether internal personnel or external consultants are actively working to obtain the necessary approvals to obtain the landfill expansion permit; and
 - 5) whether the Company considers it probable that the Company will achieve the expansion (for a pursued expansion to be considered probable, there must be no significant known technical, legal, community, business, or political restrictions or similar issues existing that the Company believes are more likely than not to impair the success of the expansion).

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It is possible that the Company's estimates or assumptions could ultimately be significantly different from actual results. In some cases, the Company may be unsuccessful in obtaining an expansion permit or the Company may determine that an expansion permit that the Company previously thought was probable has become unlikely. To the extent that such estimates, or the assumptions used to make those estimates, prove to be significantly different than actual results, or the belief that the Company will receive an expansion permit changes adversely in a significant manner, the costs of the landfill, including the costs incurred in the pursuit of the expansion, may be subject to impairment testing, as described below, and lower profitability may be experienced due to higher amortization rates, higher capping, closure and post-closure rates, and higher expenses or asset impairments related to the removal of previously included expansion airspace.

The Company periodically evaluates its landfill sites for potential impairment indicators. The Company's judgments regarding the existence of impairment indicators are based on regulatory factors, market conditions and operational performance of its landfills. Future events could cause the Company to conclude that impairment indicators exist and that its landfill carrying costs are impaired.

Cell Processing Reserves

The Company records a cell processing reserve related to its E&P segment for certain locations in Louisiana and Texas for the estimated amount of expenses to be incurred upon the treatment and excavation of oilfield waste received. The cell processing reserve is the future cost to properly treat and dispose of existing waste within the cells at the various facilities. The reserve generally covers estimated costs to be incurred over a period of time up to 24 months, with the current portion representing costs estimated to be incurred in the next 12 months. The estimate is calculated based on current estimated volume in the cells, estimated percentage of waste treated, and historical average costs to treat and excavate the waste. The processing reserve represents the estimated costs to process the volumes of oilfield waste on-hand for which revenue has been recognized. At December 31, 2016 and 2015, the current portion of cell processing reserves was \$3,932 and \$5,566, respectively, which is included in Accrued liabilities in the Consolidated Balance Sheets. At December 31, 2016 and 2015, the long-term portion of cell processing reserves was \$1,639 and \$2,157, respectively, which is included in Other long-term liabilities in the Consolidated Balance Sheets.

Business Combination Accounting

The Company accounts for business combinations as follows:

- The Company recognizes, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. The Company measures and recognizes goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition date fair value of the Company's previously held equity interest in the acquiree (if any), over (b) the fair value of net assets acquired and liabilities assumed.
- At the acquisition date, the Company measures the fair values of all assets acquired and liabilities assumed that arise from contractual contingencies. The Company measures the fair values of all noncontractual contingencies if, as of the acquisition date, it is more likely than not that the contingency will give rise to an asset or liability.

Finite-Lived Intangible Assets

The amounts assigned to franchise agreements, contracts, customer lists, permits and other agreements are being amortized on a straight-line basis over the expected term of the related agreements (ranging from 1 to 56 years).

Goodwill and Indefinite-Lived Intangible Assets

The Company acquired indefinite-lived intangible assets in connection with certain of its acquisitions. The amounts assigned to indefinite-lived intangible assets consist of the value of certain perpetual rights to provide solid waste collection and transportation services in specified territories and to operate E&P waste treatment and disposal facilities. The Company measures and recognizes acquired indefinite-lived intangible assets at their estimated acquisition date fair values. Indefinite-lived intangible assets are not amortized. Goodwill represents the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition date fair value of the Company's previously held equity interest in

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the acquiree (if any), over (b) the fair value of assets acquired and liabilities assumed. Goodwill and intangible assets, deemed to have indefinite lives, are subject to annual impairment tests as described below.

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 change between annual tests indicating a possible impairment. Examples of such events or circumstances 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 the segment; or
- current period or expected future operating cash flow losses.

In the first step (“Step 1”) of testing for goodwill impairment, the Company estimates the fair value of each of its reporting units, which consisted of five geographic operating segments and its E&P segment at December 31, 2016 and three geographic operating segments and its E&P segment at December 31, 2015, and compares the fair value with the carrying value of the net assets assigned to each reporting unit. If the fair value of a reporting unit is greater than the carrying value of the net assets, including goodwill, assigned to the reporting unit, then no impairment results. If the fair value is less than the carrying value, then the Company would perform a second step and determine the fair value of the goodwill. In this second step (“Step 2”), the fair value of goodwill is determined by deducting the fair value of a reporting unit’s identifiable assets and liabilities from the fair value of the reporting unit as a whole, as if that reporting unit had just been acquired and the purchase price were being initially allocated. If the fair value of the goodwill is less than its carrying value for a reporting unit, an impairment charge would be recorded to Impairments and other operating items in the Company’s Consolidated Statements of Net Income (Loss).

During the Company’s annual impairment analysis of its solid waste operations, the Company determined the fair value of each of its five geographic operating segments at December 31, 2016 and of its three geographic operating segments at December 31, 2015 as a whole and each indefinite-lived intangible asset within those segments using discounted cash flow analyses, which require significant assumptions and estimates about the future operations of each reporting unit and the future discrete cash flows related to each indefinite-lived intangible asset. Significant judgments inherent in these analyses include the determination of appropriate discount rates, the amount and timing of expected future cash flows and growth rates. The cash flows employed in the Company’s 2016 discounted cash flow analyses were based on ten-year financial forecasts, which in turn were based on the 2017 annual budget developed internally by management. These forecasts reflect operating profit margins that were consistent with 2016 results and perpetual revenue growth rates of 3.4%. The Company’s discount rate assumptions are based on an assessment of the market participant rate which approximated 6.2%. In assessing the reasonableness of the Company’s determined fair values of its reporting units, the Company evaluates its results against its current market capitalization. The Company did not record an impairment charge to its geographic operating segments as a result of its goodwill and indefinite-lived intangible assets impairment tests for the years ended December 31, 2016, 2015 or 2014.

For the Company’s annual impairment analysis of its E&P segment for the year ended December 31, 2016, the Company performed its Step 1 assessment of its E&P segment. The Step 1 assessment involved measuring the recoverability of goodwill by comparing the E&P segment’s carrying amount, including goodwill, to the fair value of the reporting unit. The fair value was estimated using an income approach employing a discounted cash flow (“DCF”) model. The DCF model incorporated projected cash flows over a forecast period based on the remaining estimated lives of the operating locations comprising the E&P segment. This was based on a number of key assumptions, including, but not limited to, a discount rate of 12%, annual revenue projections based on E&P waste resulting from projected levels of oil and natural gas E&P activity during the forecast period, gross margins based on estimated operating expense requirements during the forecast period and estimated capital expenditures over the forecast period, all of which were classified as Level 3 in the fair value hierarchy. As a result of the Step 1 assessment, the Company determined that the E&P segment did not pass the Step 1 test because the carrying value exceeded the estimated fair value of the reporting unit. The Company then performed the Step 2 test to determine the fair value of goodwill for its E&P segment. Based on the Step 1 and Step 2 analyses, the Company did not record an impairment charge to its E&P segment as a result of its goodwill impairment test during the year ended December 31, 2016. Additionally, the Company evaluated the recoverability of the E&P segment’s indefinite-lived intangible assets (other than goodwill) by comparing the estimated fair value of each indefinite-lived intangible asset to its carrying value. The Company estimated the fair value of the indefinite-lived intangible assets using an excess earnings approach. Based on the result of the recoverability test, the Company determined that the carrying value of certain indefinite-lived intangible assets within the E&P

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segment exceeded their fair value and were therefore not recoverable. The Company recorded an impairment charge to Impairments and other operating items in the Consolidated Statements of Net Income (Loss) on certain indefinite-lived intangible assets within its E&P segment of \$156 during the year ended December 31, 2016.

During the third quarter of 2015, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill and indefinite-lived intangible assets impairment analysis for its E&P segment as a result of the sustained decline in oil prices in the year-to-date 2015 period, together with market expectations of a likely slow recovery in such prices. The Company, therefore, performed an interim Step 1 assessment of its E&P segment during the third quarter of 2015. The Step 1 assessment involved measuring the recoverability of goodwill by comparing the E&P segment's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value was estimated using an income approach employing a discounted cash flow ("DCF") model. The DCF model incorporated projected cash flows over a forecast period based on the remaining estimated lives of the operating locations comprising the E&P segment. This was based on a number of key assumptions, including, but not limited to, a discount rate of 11.6%, annual revenue projections based on E&P waste resulting from projected levels of oil and natural gas E&P activity during the forecast period, gross margins based on estimated operating expense requirements during the forecast period and estimated capital expenditures over the forecast period, all of which were classified as Level 3 in the fair value hierarchy. As a result of the Step 1 assessment, the Company determined that the E&P segment did not pass the Step 1 test because the carrying value exceeded the estimated fair value of the reporting unit. The Company then performed the Step 2 test to determine the fair value of goodwill for its E&P segment. Based on the Step 1 and Step 2 analyses, the Company recorded a goodwill impairment charge within its E&P segment of \$411,786 during the third quarter of 2015. Additionally, the Company evaluated the recoverability of the E&P segment's indefinite-lived intangible assets (other than goodwill) by comparing the estimated fair value of each indefinite-lived intangible asset to its carrying value. The Company estimated the fair value of the indefinite-lived intangible assets using an excess earnings approach. Based on the result of the recoverability test, the Company determined that the carrying value of certain indefinite-lived intangible assets within the E&P segment exceeded their fair value and were therefore not recoverable. The Company recorded an impairment charge to Impairments and other operating items in the Consolidated Statements of Net Income (Loss) on certain indefinite-lived intangible assets within its E&P segment of \$38,351 during the third quarter and fourth quarter of 2015. The Company did not record an impairment charge to its E&P segment as a result of its goodwill and indefinite-lived intangible assets impairment tests during the year ended December 31, 2014.

Impairments of Property and Equipment and Finite-Lived Intangible Assets

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

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

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

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.

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Prior to conducting Step 1 of the goodwill impairment test for the E&P segment during the third quarter of 2015, as described above, the Company first evaluated the recoverability of its long-lived assets, including finite-lived intangible assets. When indicators of impairment are present, the Company tests long-lived assets for recoverability by comparing the carrying value of an asset group to its undiscounted cash flows. The Company considered the sustained decline in oil prices during 2015, together with market expectations of a likely slow recovery in such prices, to be indicators of impairment for the E&P segment's long-lived assets. Based on the result of the recoverability test, the Company determined that the carrying value of certain asset groups within the E&P segment exceeded their undiscounted cash flows and were therefore not recoverable. The Company then compared the fair value of these asset groups to their carrying values. The Company estimated the fair value of the asset groups under an income approach, as described above. Based on the analysis, the Company recorded an impairment charge to Impairments and other operating items in the Consolidated Statements of Net Income (Loss) on certain long-lived assets within its E&P segment of \$67,647 during the year ended December 31, 2015.

During the year ended December 31, 2016, the Company recorded a \$2,653 impairment charge, which is included in Impairments and other operating items in the Consolidated Statements of Net Income (Loss), for property and equipment at four E&P disposal facilities that were permanently closed in 2016 as a result of operating losses incurred. During the year ended December 31, 2014, the Company recorded an \$8,445 impairment charge, which is included in Impairments and other operating items in the Consolidated Statements of Net Income (Loss), for property and equipment at an E&P disposal facility as a result of projected operating losses resulting from the migration of the majority of the facility's customers to a new E&P facility that the Company owns and operates.

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.

Restricted Assets

Restricted assets held by trustees consist principally of funds deposited in connection with landfill final capping, closure and post-closure obligations and other financial assurance requirements. Proceeds from these financing arrangements are directly deposited into trust funds, and the Company does not have the ability to utilize the funds in regular operating activities. See Note 9 for further information on restricted assets.

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Fair Value of Financial Instruments

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

	Carrying Value at December 31,		Fair Value* at December 31,	
	2016	2015	2016	2015
3.30% Senior Notes due 2016	\$ -	\$ 100,000	\$ -	\$ 100,536
4.00% Senior Notes due 2018	\$ 50,000	\$ 50,000	\$ 51,226	\$ 51,860
5.25% Senior Notes due 2019	\$ 175,000	\$ 175,000	\$ 187,671	\$ 190,985
4.64% Senior Notes due 2021	\$ 100,000	\$ 100,000	\$ 106,618	\$ 107,613
2.39% Senior Notes due 2021	\$ 150,000	\$ -	\$ 146,168	\$ -
3.09% Senior Notes due 2022	\$ 125,000	\$ 125,000	\$ 123,974	\$ 123,516
2.75% Senior Notes due 2023	\$ 200,000	\$ -	\$ 192,238	\$ -
3.41% Senior Notes due 2025	\$ 375,000	\$ 375,000	\$ 368,968	\$ 370,245
3.03% Senior Notes due 2026	\$ 400,000	\$ -	\$ 379,438	\$ -

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

For details on the fair value of the Company's interest rate swaps, fuel hedges, restricted assets and contingent consideration, see Note 9.

Derivative Financial Instruments

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

One of the Company's objectives for utilizing derivative instruments is to reduce its exposure to fluctuations in cash flows due to changes in the variable interest rates of certain borrowings issued under its Credit Agreement. The Company's strategy to achieve that objective involves entering into interest rate swaps. The interest rate swaps outstanding at December 31, 2016 were specifically designated to the Company's Credit Agreement and accounted for as cash flow hedges.

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At December 31, 2016, the Company's derivative instruments included 12 interest rate swap agreements as follows:

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

* Plus applicable margin.

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

At December 31, 2016, the Company's derivative instruments included four fuel hedge agreements as follows:

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

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

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The fair values of derivative instruments designated as cash flow hedges as of December 31, 2016, were as follows:

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

(a) Represents the estimated amount of the existing unrealized gains and losses, respectively, on interest rate swaps as of December 31, 2016 (based on the interest rate yield curve at that date), included in AOCL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in interest rates.

(b) Represents the estimated amount of the existing unrealized gains and losses, respectively, on fuel hedges as of December 31, 2016 (based on the forward DOE diesel fuel index curve at that date), included in AOCL expected to be reclassified into pre-tax earnings within the next 12 months. The actual amounts reclassified into earnings are dependent on future movements in diesel fuel prices.

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

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

The following table summarizes the impact of the Company's cash flow hedges on the results of operations, comprehensive income (loss) and AOCL for the years ended December 31, 2016, 2015 and 2014:

Derivatives Designated as Cash Flow Hedges	Amount of Gain or (Loss) Recognized as AOCL on Derivatives, Net of Tax (Effective Portion) ^(a)			Statement of Net Income (Loss) Classification	Amount of (Gain) or Loss Reclassified from AOCL into Earnings, Net of Tax (Effective Portion) ^{(b), (c)}		
	Years Ended December 31,				Years Ended December 31,		
	2016	2015	2014		2016	2015	2014
Interest rate swaps	\$ 9,192	\$ (4,820)	\$ (3,970)	Interest expense	\$ 4,939	\$ 3,155	\$ 2,824
Fuel hedges	2,363	(6,906)	(2,071)	Cost of operations	3,607	1,993	(507)
Total	<u>\$ 11,555</u>	<u>\$ (11,726)</u>	<u>\$ (6,041)</u>		<u>\$ 8,546</u>	<u>\$ 5,148</u>	<u>\$ 2,317</u>

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

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

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

The Company measures and records ineffectiveness on the fuel hedges in Cost of operations in the Consolidated Statements of Net Income (Loss) on a monthly basis based on the difference between the DOE index price and the actual price of diesel fuel

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purchased, multiplied by the notional number of gallons on the contracts. There was no significant ineffectiveness recognized on the fuel hedges during the years ended December 31, 2016, 2015 and 2014.

See Note 12 for further discussion on the impact of the Company's hedge accounting to its consolidated Comprehensive income (loss) and AOCL.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company records valuation allowances to reduce net deferred tax assets to the amount considered more likely than not to be realized.

The Company is required to evaluate whether the tax positions taken on its income tax returns will more likely than not be sustained upon examination by the appropriate taxing authority. If the Company determines that such tax positions will not be sustained, it records a liability for the related unrecognized tax benefits. The Company classifies its liability for unrecognized tax benefits as a current liability to the extent it anticipates making a payment within one year.

Share-Based Compensation

The fair value of restricted share unit ("RSU") awards is determined based on the number of shares granted, the closing price of the common shares in the capital of the Company and an assumed forfeiture rate of 8%.

Compensation expense associated with outstanding performance-based restricted share unit ("PSU") awards is measured using the fair value of the Company's common shares and is based on the estimated achievement of the established performance criteria at the end of each reporting period until the performance period ends, recognized ratably over the performance period. Compensation expense is only recognized for those awards that the Company expects to vest, which it estimates based upon an assessment of the probability that the performance criteria will be achieved. The Company assumed a forfeiture rate of 8% for PSU awards, with a one-year performance-based metric and time-based vesting for the remaining three years of the four-year vesting period, granted to the Company's executive officers and non-executive officers during the years ended December 31, 2016 and 2015.

All share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized on a straight-line basis as expense over the employee's requisite service period. Under the share-based compensation guidance, the Company elected to use the short-cut method to calculate the historical pool of windfall tax benefits. The Company elected to use the tax law ordering approach for purposes of determining whether an excess of tax benefit has been realized.

Warrants are valued using the Black-Scholes pricing model with a contractual life of five years, a risk free interest rate based on the 5-year U.S. treasury yield curve and expected volatility. The Company uses the historical volatility of its common shares over a period equivalent to the contractual life of the warrants to estimate the expected volatility. Warrants issued to consultants are recorded as an element of the related cost of landfill development projects or to expense for warrants issued in connection with acquisitions.

Share-based compensation expense recognized during the years ended December 31, 2016, 2015 and 2014, was \$44,772 (\$28,680 net of taxes), \$20,318 (\$12,587 net of taxes) and \$18,446 (\$11,372 net of taxes), respectively. This share-based compensation expense includes RSU, PSU, deferred share units, share option and warrant expense. The share-based compensation expense totals include amounts associated with the Progressive Waste share-based compensation plans, continued by the Company following the Progressive Waste acquisition, which allow for the issuance of shares or cash settlement to employees upon vesting. The Company records share-based compensation expense in Selling, general and administrative expenses in the Consolidated Statements of Net Income (Loss). The total unrecognized compensation cost at December 31, 2016, related to unvested RSU awards was \$23,213 and this future expense will be recognized over the remaining vesting period of the RSU awards, which extends to 2020. The weighted average remaining vesting period of the RSU awards is 1.0 years. The total unrecognized compensation cost at December 31, 2016, related to unvested PSU awards was \$10,018 and this future expense will be recognized over the remaining vesting period of the PSU awards, which extends to 2020. The weighted average remaining vesting period of PSU awards is 1.4 years.

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Restricted Share Units - Progressive Waste Plans

The Company recorded a liability of \$25,925 at June 1, 2016 associated with the fair value of the Progressive Waste restricted share units outstanding. The fair value was calculated using a Black-Scholes pricing model with the following weighted average assumptions for the period from June 1, 2016 to December 31, 2016:

Expected remaining life	1 month to 2.15 years
Annual dividend rate	0.92%

Outstanding Progressive Waste restricted share units vest over periods that vary from immediately upon award to three years. As of December 31, 2016, the Company has \$2,409 of unrecognized compensation cost for restricted share units under the Progressive Waste share-based compensation plans and a liability of \$15,091 representing the December 31, 2016 fair value of outstanding Progressive Waste restricted share units, less unrecognized compensation cost.

Performance-Based Restricted Share Units - Progressive Waste Plans

The Company recorded a liability of \$7,218 at June 1, 2016 associated with the fair value of the Progressive Waste performance-based restricted share units outstanding. The fair value was calculated using the volume weighted average price of the Company's shares for the five preceding business days as of December 31, 2016 which was \$79.19. Outstanding Progressive Waste performance-based restricted share units vest over periods that vary from one month to two years. As of December 31, 2016, the Company has \$1,474 of unrecognized compensation cost for performance-based restricted share units under the Progressive Waste share-based compensation plans and a liability of \$3,435 representing the December 31, 2016 fair value of outstanding Progressive Waste performance-based restricted share units, less unrecognized compensation cost.

Share Based Options – Progressive Waste Plans

The Company recorded a liability of \$13,022 at June 1, 2016 associated with the fair value of the Progressive Waste share based options outstanding. The fair value was calculated using a Black-Scholes pricing model with the following weighted average assumptions for the period from June 1, 2016 to December 31, 2016:

Expected remaining life	1.05 to 3.3 years
Share volatility	10.35% to 32.92%
Discount rate	0.92% to 1.66%
Annual dividend rate	0.92%

Outstanding Progressive Waste share based options vest over periods that vary from one to nine months. As of December 31, 2016, the Company has \$114 of unrecognized compensation cost for share based options under the Progressive Waste share-based compensation plans and a liability of \$18,529 representing the December 31, 2016 fair value of outstanding Progressive Waste share based options, less unrecognized compensation cost.

Per Share Information

Basic net income (loss) per share attributable to holders of the Company's common shares is computed using the weighted average number of common shares outstanding and vested and unissued restricted share units deferred for issuance into the deferred compensation plan. Diluted net income (loss) per share attributable to holders of the Company's common shares is computed using the weighted average number of common and potential common shares outstanding. Potential common shares are excluded from the computation if their effect is anti-dilutive.

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Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2016, 2015 and 2014, was \$3,960, \$3,197 and \$3,479, respectively, which is included in Selling, general and administrative expense in the Consolidated Statements of Net Income (Loss).

Insurance Liabilities

As a result of its high deductible or self-insured retention insurance policies, the Company is effectively self-insured for automobile liability, general liability, employer's liability, environmental liability, cyber liability, employment practices liability, and directors' and officers' liability as well as for employee group health insurance, property and workers' compensation. The Company's insurance accruals are based on claims filed and estimates of claims incurred but not reported and are developed by the Company's management with assistance from its third-party actuary and its third-party claims administrator. The insurance accruals are influenced by the Company's past claims experience factors, which have a limited history, and by published industry development factors. At December 31, 2016 and 2015, the Company's total accrual for self-insured liabilities was \$108,530 and \$44,934, respectively, which is included in Accrued liabilities in the Consolidated Balance Sheets. For the years ended December 31, 2016, 2015 and 2014, the Company recognized \$100,505, \$49,391 and \$51,702, respectively, of self-insurance expense which is included in Cost of operations and Selling, general and administrative expense in the Consolidated Statements of Net Income (Loss).

New Accounting Pronouncements

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

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

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. In August 2014, the FASB issued guidance that requires management to evaluate, for each annual and interim reporting period, whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued or are available to be issued. If substantial doubt is raised, additional disclosures around management's plan to alleviate these doubts are required. This update became effective for all annual periods and interim reporting periods ending after December 15, 2016. The Company adopted this guidance as of December 31, 2016. The adoption of this guidance did not have any impact on current disclosures in the consolidated financial statements.

Balance Sheet Classification of Deferred Taxes. In November 2015, the FASB issued guidance that requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The guidance does not change the existing requirement that only permits offsetting within a jurisdiction. The new standard is effective in fiscal years beginning after December 15, 2016, including interim periods within those years, with early adoption permitted. The adoption of this guidance will result in the Company's current deferred tax assets being recorded as noncurrent on a prospective basis. The Company's current deferred tax assets were \$89,177 and \$49,727 at December 31, 2016 and 2015, respectively.

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Lease Accounting. In February 2016, the FASB issued guidance that requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company has not yet assessed the potential impact of implementing this new accounting standard on its consolidated financial statements. For additional details on the Company's operating leases, see Note 10.

Improvements to Employee Share-Based Payment Accounting. In March 2016, the FASB issued guidance that identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including classification of awards as either equity or liabilities, an option to recognize gross share compensation expense with actual forfeitures recognized as they occur, certain classifications on the statement of cash flows and income tax consequences, including that all income tax effects of awards are to be recognized in the income statement when the awards are settled whereas previously the tax benefits in excess of compensation cost were recorded in equity. The new standard is effective for public companies for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. As such, the Company will be required to adopt this standard on January 1, 2017 and will classify the excess tax benefits associated with equity-based compensation arrangements, which were \$5,196 during the year ended December 31, 2016, as a discrete item within Income tax provision (benefit) on the Consolidated Statements of Net Income (Loss), rather than recognizing such excess income tax benefits in Additional Paid-In Capital on the Consolidated Statements of Equity. This reclassification will be made on a prospective basis and will also impact the related classification on the Company's Consolidated Statements of Cash Flows as excess tax benefits associated with equity-based compensation arrangements are currently reported in cash flows from operating activities and cash flows from financing activities. Under the new standard, excess tax benefits associated with equity-based compensation will only be reported in cash flows from operating activities. Additionally, the Company will recognize gross share compensation expense with actual forfeitures as they occur, which differs from the Company's current accounting policy to estimate forfeitures each period. Using the modified retrospective approach, the Company will record a cumulative effect adjustment to Retained Earnings of \$1,392 for the differential between the amount of compensation cost previously recorded and the amount that would have been recorded without assuming forfeitures.

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

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

Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. In October 2016, the FASB issued guidance that eliminates the exception for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The modified retrospective approach will be required for transition to the new guidance, with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. The new guidance will be effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those years.

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Early adoption is permitted; however, the guidance can only be adopted in the first interim period of a fiscal year. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

Classification of Money Market Fund as Cash Equivalents. The SEC instituted new rules for money market funds (“MMF”) and key provisions of these rules became effective in October 2016. One of the key provisions mandated the use of a floating net asset value (“NAV”) for institutional prime MMFs. When investments in an SEC-registered MMF meet the qualifications of Investment Company Act Rule 2a-7, investors in the fund are permitted to classify their investment as a cash equivalent. The SEC has stated that a floating NAV MMF investment would, under normal circumstances, continue to meet the definition of a cash equivalent. However, in the event credit or liquidity issues arise, including the enactment of liquidity fees or redemption gates, classification of such investments as cash equivalents may no longer be appropriate. Additionally, if a fund ceases to be an SEC-registered MMF, an investor’s investment may no longer qualify as a cash equivalent. Money market fund investments that no longer meet the definition of a cash equivalent should be reclassified from cash and cash equivalents to equity investments and classified as either available for sale or trading. There was no impact to the Company’s classification of cash and equivalents at December 31, 2016 as a result of these new rules. However, the Company will continue to review the classification of its cash and equivalents to the extent they are invested in MMFs.

Statement of Cash Flows: Restricted Cash. In November 2016, the FASB issued guidance that requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The new standard is effective for public companies for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect the adoption of this guidance to have a material impact on the Company’s statement of cash flows.

Simplifying the Test for Goodwill Impairment. In January 2017, the FASB issued guidance that simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. The new standard will be applied prospectively, and is effective for public companies for their annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. Early adoption is permitted for any impairment tests performed after January 1, 2017. The Company intends to adopt this new pronouncement in 2017 and apply the standard for its annual goodwill impairment testing. During the year ended December 31, 2016, the Company did not record any impairment charges related to goodwill; however, the results of the Company’s annual impairment testing indicated that the carrying value of its E&P segment exceeded its fair value by \$125,692. At December 31, 2016, the carrying amount of goodwill at the E&P segment was \$77,343. Therefore, if the carrying value of the E&P segment remains higher than its fair value when the Company performs its initial goodwill impairment test in 2017, the Company will record an impairment charge equal to the amount by which the E&P segment’s carrying value exceeds its fair value, up to \$77,343.

Reclassification

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

2. USE OF ESTIMATES AND ASSUMPTIONS

In preparing the Company’s consolidated financial statements, several estimates and assumptions are made that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain of the information that is used in the preparation of the Company’s consolidated financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available or is simply not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. The most difficult, subjective and complex estimates and the assumptions that deal with the greatest amount of uncertainty are related to the Company’s accounting for landfills, self-insurance accruals, income taxes, allocation of acquisition purchase price, contingent consideration accruals and asset impairments, which are discussed in Note 1. An additional area that involves estimation is when the Company estimates the amount of potential exposure it may have with respect to litigation,

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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 consolidated financial statements.

3. ACQUISITIONS

The Company recognizes, separately from goodwill, the identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values. The Company measures and recognizes goodwill as of the acquisition date as the excess of: (a) the aggregate of the fair value of consideration transferred, the fair value of any noncontrolling interest in the acquiree (if any) and the acquisition date fair value of the Company's previously held equity interest in the acquiree (if any), over (b) the fair value of assets acquired and liabilities assumed. If information about facts and circumstances existing as of the acquisition date is incomplete by the end of the reporting period in which a business combination occurs, the Company will report provisional amounts for the items for which the accounting is incomplete. The measurement period ends once the Company receives the information it was seeking; however, this period will not exceed one year from the acquisition date. Any material adjustments recognized during the measurement period will be reflected prospectively in the period the adjustment is identified in the consolidated financial statements. The Company recognizes acquisition-related costs as expense.

Progressive Waste Acquisition

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

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

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

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

The results of operations from the acquired Progressive Waste operations have been included in the Company's Consolidated Financial Statements from June 1, 2016, the acquisition date. Total revenues during the period from June 1, 2016 to December 31, 2016, generated from the operations acquired in the Progressive Waste acquisition and included within consolidated revenues, were \$1,184,965. Total pre-tax earnings during the period from June 1, 2016 to December 31, 2016, generated from the operations

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acquired in the Progressive Waste acquisition and included within consolidated income before income taxes, were \$155,832.

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

Fair value of consideration transferred:	
Shares issued	\$ 3,503,162
Debt assumed	1,729,274
	<u>5,232,436</u>
Less: cash acquired	(65,768)
Net fair value of consideration transferred	<u>5,166,668</u>

Recognized amounts of identifiable assets acquired and liabilities assumed associated with the business acquired:

Accounts receivable	231,709
Prepaid expenses and other current assets	28,623
Restricted assets	16,551
Property and equipment	2,078,350
Contracts	223,885
Customer lists	191,679
Other intangibles	218,499
Other long-term assets	4,491
Accounts payable and accrued liabilities	(264,992)
Deferred revenue	(35,635)
Contingent consideration	(19,412)
Other long-term liabilities	(185,774)
Deferred income taxes	(329,552)
Total identifiable net assets	<u>2,158,422</u>
Goodwill	<u>\$ 3,008,246</u>

During the six months ended December 31, 2016, adjustments to the initial amounts of identifiable assets acquired and liabilities assumed resulted in increases to contingent consideration, contracts, deferred tax liabilities and goodwill \$6,647, \$13,473, \$105,436 and \$146,329, respectively, and decreases to property and equipment and customer lists of \$5,257 and \$43,824, respectively.

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

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

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payable to the former owners subject to the satisfaction of various business performance conditions through December 31, 2016. As of December 31, 2016, the obligations recognized at the purchase date have not materially changed.

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

The fair value of acquired working capital related to Progressive Waste is final with the exception of certain open tax matters for which the assets and liabilities recorded are provisional. The fair value related to acquired landfills is provisional as well. The Company expects to finalize these fair value estimates in the first quarter of 2017 once it has finalized its cost and capacity estimates, including physical surveys of the landfills. Measurement period adjustments will be evaluated to determine whether they relate to facts and circumstances that existed at the acquisition date. Any measurement period adjustments recorded will be recognized in the reporting period in which they are identified.

The gross amount of trade receivables due under contracts is \$239,212, of which \$7,503 is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the Progressive Waste acquisition.

The Company incurred \$31,408 of acquisition-related costs for the Progressive Waste acquisition during the year ended December 31, 2016. These expenses are included in Selling, general and administrative expenses in the Company's Consolidated Statements of Net Income (Loss).

Other Acquisitions

The Company acquired 12 individually immaterial non-hazardous solid waste collection businesses during the year ended December 31, 2016. The total acquisition-related costs incurred during the year ended December 31, 2016 for these acquisitions was \$1,968. These expenses are included in Selling, general and administrative expenses in the Company's Consolidated Statements of Net Income (Loss).

In January 2015, the Company acquired Shale Gas Services, LLC ("Shale Gas"), which owns two E&P waste stream treatment and recycling operations in Arkansas and Texas, for cash consideration of \$41,000 and potential future contingent consideration. The contingent consideration would be paid to the former owners of Shale Gas based on the achievement of certain operating targets for the acquired operations, as specified in the membership purchase agreement, over a two-year period following the close of the acquisition. The Company used probability assessments of the expected future cash flows and determined that no liability for payment of future contingent consideration existed as of the acquisition close date. As of December 31, 2016, the assessment that no liability existed for payment of future contingent consideration has not changed.

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

In November 2015, the Company acquired Rock River Environmental Services, Inc. ("Rock River"), an integrated provider of solid waste collection, recycling, transfer and disposal services. The acquired operations service 19 counties in central and northern Illinois and include five collection operations, two landfills, one compost facility, one transfer station and one recycling facility. The Company paid cash consideration of \$225,000 for this acquisition, using proceeds from borrowings under the Old Waste Connections Credit Agreement. The Company also paid an additional amount for the purchase of estimated working capital, which is subject to post-closing adjustments.

In addition to the acquisitions of Shale Gas, DNCS and Rock River, the Company also acquired 11 individually immaterial non-hazardous solid waste collection and disposal businesses during the year ended December 31, 2015. The total acquisition-related costs for these acquisitions was \$4,235. These expenses are included in Selling, general and administrative expenses in the Company's Consolidated Statements of Net Income (Loss).

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In March 2014, the Company acquired Screwbean Landfill, LLC (“Screwbean”), which owns land and permits to construct and operate an E&P waste facility, and S.A. Dunn & Company, LLC (“Dunn”), which owns land and permits to construct and operate a construction and demolition landfill, for aggregate total cash consideration of \$27,020 and contingent consideration of \$2,923. Contingent consideration represents the fair value of up to \$3,000 of amounts payable to the former Dunn owners based on the successful modification of site construction permits that would enable increased capacity at the landfill. The fair value of the contingent consideration was determined using probability assessments of the expected future cash flows over the two-year period in which the obligations were expected to be settled, and applying discount rates ranging from 2.4% to 2.7%. Contingent consideration of \$3,000 was paid to the former Dunn owners during the year ended December 31, 2016.

In September 2014, the Company acquired Rumsey Environmental, LLC (“Rumsey”), which provides solid waste collection services in western Alabama, for aggregate total cash consideration of \$16,000 and contingent consideration of \$1,891. Contingent consideration represents the fair value of up to \$2,000 of amounts payable to the former owners based on the achievement of certain operating targets specified in the asset purchase agreement. The fair value of the contingent consideration was determined using probability assessments of the expected future cash flows over the two-year period in which the obligation was expected to be settled, and applying a discount rate of 2.8%. Contingent consideration of \$2,000 was paid to the former owners during the year ended December 31, 2016.

In October 2014, the Company acquired Section 18, LLC (“Section 18”), which provides E&P disposal services in North Dakota, for aggregate total cash consideration of \$64,425 and contingent consideration of \$37,724. The contingent consideration recorded represented the estimated fair value at the acquisition close date of amounts payable to the former owners based on approval of up to four site construction permits for future facilities in North Dakota, Wyoming and Montana and the achievement of certain operating targets at one current facility and up to four future facilities as specified in the asset purchase agreement. The fair value of the contingent consideration was determined using probability assessments of the expected future cash flows over the one to four-year period in which the obligations are expected to be settled, and applying a discount rate of 5.2%. During the third quarter of 2015, the Company remeasured the fair value of the contingent consideration and determined that the fair value of amounts payable associated with the achievement of certain operating targets decreased by \$20,642, which was credited to Impairments and other operating items in the Consolidated Statements of Net Income (Loss). The change in the fair value of the contingent consideration was due to an expected decrease in earnings of the future facilities as a result of the sustained decline in oil prices subsequent to the closing date of the acquisition, together with market expectations of a likely slow recovery in such prices. During the year ended December 31, 2015, \$2,000 of the contingent consideration associated with the approval of one of the site permits was earned and paid to the former owners.

In addition to the acquisitions of Screwbean, Dunn, Rumsey and Section 18, the Company acquired five individually immaterial non-hazardous solid waste collection, transfer and disposal businesses during the year ended December 31, 2014. The total acquisition-related costs incurred for these acquisitions was \$2,147. These expenses are included in Selling, general and administrative expenses in the Company’s Consolidated Statements of Net Income (Loss).

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

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The following table summarizes the consideration transferred to acquire these businesses and the amounts of identifiable assets acquired and liabilities assumed at the acquisition date for acquisitions consummated in the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
	Acquisitions	Acquisitions	Acquisitions
Fair value of consideration transferred:			
Cash	\$ 17,131	\$ 230,517	\$ 126,181
Debt assumed	-	111,324	-
Notes issued to sellers	-	6,091	-
	<u>17,131</u>	<u>347,932</u>	<u>126,181</u>
Recognized amounts of identifiable assets acquired and liabilities assumed associated with businesses acquired:			
Accounts receivable	833	12,571	3,785
Prepaid expenses and other current assets	477	1,440	111
Property and equipment	4,735	208,363	140,412
Long-term franchise agreements and contracts	-	16,462	369
Indefinite-lived intangibles	-	1,256	-
Customer lists	8,508	12,504	9,420
Permits	-	37,071	-
Other long-term assets	261	2,738	-
Accounts payable and accrued liabilities	(2,867)	(9,337)	(1,749)
Deferred revenue	(659)	(5,056)	(427)
Contingent consideration	(977)	(815)	(42,538)
Other long-term liabilities	-	(19,998)	(1,980)
Deferred income taxes	-	(50,089)	-
Total identifiable net assets	<u>10,311</u>	<u>207,110</u>	<u>107,403</u>
Goodwill	<u>\$ 6,820</u>	<u>\$ 140,822</u>	<u>\$ 18,778</u>

The 2016 acquisitions of 12 non-hazardous solid waste collection businesses resulted in goodwill acquired in 2016 totaling \$6,820, which is expected to be deductible for tax purposes. Goodwill acquired in 2015 and 2014 totaling \$40,863 and \$18,778, respectively, is expected to be deductible for tax purposes.

The fair value of acquired working capital related to three individually immaterial acquisitions completed during the year ended December 31, 2016, is provisional pending receipt of information to support the fair value of the assets acquired and liabilities assumed. Any adjustments recorded relating to finalizing the working capital for these three 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 year ended December 31, 2016, was \$1,316, of which \$483 was expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the year ended December 31, 2015, was \$13,037, of which \$466 was expected to be uncollectible. The gross amount of trade receivables due under contracts acquired during the year ended December 31, 2014, was \$3,981, of which \$196 was expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of these businesses.

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Pro Forma Results of Operations

The following pro forma results of operations assume that the Company's acquisition of Progressive Waste and its other acquisitions that were collectively insignificant, occurring during the year ended December 31, 2016 and 2015, were acquired as of January 1, 2015 (unaudited):

	Years Ended December 31,	
	2016	2015
Total revenue	\$ 4,184,871	\$ 4,115,433
Net income	350,228	8,643
Basic income per share	2.00	0.05
Diluted income per share	1.99	0.05

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

4. ASSETS HELD FOR SALE

As of December 31, 2016, certain assets and liabilities associated with our Southern and Eastern segments met the held for sale criteria. These markets were acquired in the Progressive Waste acquisition and have characteristics that are not consistent with our operating strategy. The assets held for sale have been recognized at the lower of cost or fair value less costs to sell, which resulted in recording an estimated loss on disposal of \$14,902 in the year ended December 31, 2016. The expected consideration will include cash and non-monetary assets – consisting of a solid waste collection business and long-term contracts to deliver disposal volumes to our landfills.

Our assets and liabilities held for sale as of December 31, 2016 are comprised of the following:

Current assets held for sale:	
Cash and equivalents	\$ 42
Accounts receivable	5,726
Other current assets	571
	\$ 6,339
Long-term assets held for sale:	
Property and equipment	\$ 33,624
Goodwill	244
Other assets	121
	\$ 33,989
Current liabilities held for sale:	
Accounts payable	\$ 1,320
Accrued liabilities	1,811
Deferred revenue	252
	\$ 3,383

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5. INTANGIBLE ASSETS, NET

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

	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Amount
Finite-lived intangible assets:				
Long-term franchise agreements and contracts	\$ 428,783	\$ (86,552)	\$ -	\$ 342,231
Customer lists	371,203	(131,525)	-	239,678
Permits and other	290,823	(21,966)	-	268,857
	<u>1,090,809</u>	<u>(240,043)</u>	<u>-</u>	<u>850,766</u>
Indefinite-lived intangible assets:				
Solid waste collection and transportation permits	152,761	-	-	152,761
Material recycling facility permits	42,283	-	-	42,283
E&P facility permits	59,855	-	(38,507)	21,348
	<u>254,899</u>	<u>-</u>	<u>(38,507)</u>	<u>216,392</u>
Intangible assets, exclusive of goodwill	<u>\$ 1,345,708</u>	<u>\$ (240,043)</u>	<u>\$ (38,507)</u>	<u>\$ 1,067,158</u>

The weighted-average amortization period of long-term franchise agreements and contracts acquired during the year ended December 31, 2016 was 15.5 years. The weighted-average amortization period of customer lists acquired during the year ended December 31, 2016 was 11.5 years. The weighted-average amortization period of finite-lived permits and other acquired during the year ended December 31, 2016 was 20.0 years.

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

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

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

For the year ending December 31, 2017	\$ 94,503
For the year ending December 31, 2018	\$ 89,135
For the year ending December 31, 2019	\$ 80,015
For the year ending December 31, 2020	\$ 72,439
For the year ending December 31, 2021	\$ 64,441

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	December 31,	
	2016	2015
Landfill site costs	\$ 3,483,699	\$ 2,379,535
Rolling stock	1,297,469	754,662
Land, buildings and improvements	768,432	433,230
Containers	532,477	323,953
Machinery and equipment	516,491	377,488
Construction in progress	35,038	9,861
	<u>6,633,606</u>	<u>4,278,729</u>
Less accumulated depreciation and depletion	(1,895,551)	(1,540,441)
	<u>\$ 4,738,055</u>	<u>\$ 2,738,288</u>

The Company's landfill depletion expense, recorded in Depreciation in the Consolidated Statements of Net Income (Loss), for the years ended December 31, 2016, 2015 and 2014, was \$143,940, \$82,369 and \$84,308, respectively.

As of December 31, 2016, certain assets and liabilities associated with our Southern and Eastern segments met the held for sale criteria. As a result, property and equipment totaling \$33,624, net of accumulated depreciation, have been reclassified to long-term assets held for sale on the accompanying Consolidated Balance Sheets at December 31, 2016. See Note 4 for additional discussion.

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	2016	2015
Insurance claims	\$ 108,530	\$ 44,934
Payroll and payroll-related	74,173	41,332
Interest payable	12,677	12,974
Unrealized cash flow hedge losses	6,518	11,124
Share-based compensation plan liability – current portion	3,955	-
Cell processing reserve - current portion	3,932	5,566
Environmental remediation reserve - current portion	2,316	2,328
Other	57,301	17,760
	<u>\$ 269,402</u>	<u>\$ 136,018</u>

As of December 31, 2016, certain assets and liabilities associated with our Southern and Eastern segments met the held for sale criteria. As a result, accrued liabilities totaling \$1,811 have been reclassified to current liabilities held for sale on the accompanying Consolidated Balance Sheets at December 31, 2016. See Note 4 for additional discussion.

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8. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revolver under Credit Agreement	\$ 310,582	\$ -
Term loan under Credit Agreement	1,637,500	-
Revolver under prior credit agreement	-	390,000
Term loan under prior credit agreement	-	800,000
2016 Notes	-	100,000
2018 Notes	50,000	50,000
2019 Notes	175,000	175,000
2021 Notes	100,000	100,000
New 2021 Notes	150,000	-
2022 Notes	125,000	125,000
2023 Notes	200,000	-
2025 Notes	375,000	375,000
2026 Notes	400,000	-
Tax-exempt bonds	95,430	31,430
Notes payable to sellers and other third parties, bearing interest at 3.00% to 24.81%, principal and interest payments due periodically with due dates ranging from 2017 to 2036 ^(a)	14,180	10,855
	<u>3,632,692</u>	<u>2,157,285</u>
Less – current portion	(1,650)	(2,127)
Less – debt issuance costs	(14,282)	(8,031)
	<u>\$ 3,616,760</u>	<u>\$ 2,147,127</u>

^(a) Interest rates represent the interest rates incurred at December 31, 2016.

Summary of Changes in Debt Related to Progressive Waste Acquisition

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

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

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

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New Credit Agreement

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

Summary details of indebtedness under the Credit Agreement at December 31, 2016 are as follows:

Revolver under Credit Agreement

Available	\$ 1,004,451
Letters of credit outstanding	\$ 247,467
Total amount drawn, as follows:	\$ 310,582
Amount drawn – Canadian prime rate loan	\$ 7,448
Interest rate applicable - Canadian prime rate loan	2.95%
Interest rate margin – Canadian prime rate loan	0.25%
Amount drawn – Canadian bankers’ acceptance (“BA”) loan	\$ 303,134
Interest rate applicable – Canadian BA loan	2.13%
Interest rate acceptance fee – Canadian BA loan	1.20%
Commitment – rate applicable	0.15%

Term loan under Credit Agreement

Amount drawn – U.S. based LIBOR loan	\$ 1,637,500
Interest rate applicable – U.S. based LIBOR loan	1.97%
Interest rate margin – U.S. based LIBOR loan	1.20%

Pursuant to the terms and conditions of the Credit Agreement, the Lenders have committed to provide a \$3,200,000 credit facility to the Company, consisting of (i) revolving advances up to an aggregate principal amount of \$1,562,500 at any one time outstanding, and (ii) a term loan in an aggregate principal amount of \$1,637,500, which term loan was fully drawn at closing. As part of the aggregate commitments under the revolving advances, the Credit Agreement provides for letters of credit to be issued at the request of the Company in an aggregate amount not to exceed \$500,000 and for swing line loans to be issued at the request of the Company in an aggregate amount not to exceed the lesser of \$75,000 and the aggregate commitments under the revolving advances. This swing line sublimit is part of, and not in addition to, the aggregate commitments under the revolving advances. In addition, certain existing letters of credit in place under the Prior Credit Agreements are continued and now deemed issued under and governed by the terms of the Credit Agreement. Subject to certain specified conditions and additional deliveries, the Company has the option to request increases in the aggregate commitments for revolving advances and one or more additional term loans, provided that (i) the aggregate principal amount of such requests does not exceed \$500,000 and (ii) the aggregate principal amount of commitments and term loans under the credit facility does not exceed \$3,700,000. The Company has \$6,543 of debt issuance costs related to the Credit Agreement recorded in Other assets, net in the Consolidated Balance Sheets at December 31, 2016, which are being amortized through the maturity date, or June 1, 2021.

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

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loans and swing line loans ranges from 0.00% to 0.50%. The Company will also pay a fee based on its leverage ratio on the actual daily unused amount of the aggregate revolving commitments.

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

The Credit Agreement contains customary representations, warranties, covenants and events of default, including, among others, a change of control event of default and limitations on the incurrence of indebtedness and liens, new lines of business, mergers, transactions with affiliates and burdensome agreements. During the continuance of an event of default, the Lenders may take a number of actions, including, among others, declaring the entire amount then outstanding under the Credit Agreement to be due and payable. The Credit Agreement contains cross-defaults for certain events or conditions that could result in certain of the Company's material indebtedness becoming due before the scheduled time, which material indebtedness would include the principal amounts currently outstanding under the 2016 NPA and the 2008 NPA. The Credit Agreement includes a financial covenant limiting, as of the last day of each fiscal quarter, the ratio of (a) (i) Consolidated Total Funded Debt (as defined in the Credit Agreement) as of such date less (ii) the sum of cash and cash equivalents of the Company and its subsidiaries on a dollar-for-dollar basis as of such date in excess of \$50,000 up to a maximum of \$200,000 (such that the maximum amount of reduction pursuant to this calculation does not exceed \$150,000) to (b) Consolidated EBITDA (as defined in the Credit Agreement), measured for the preceding 12 months (the "Leverage Ratio"), to not more than 3.50 to 1.00 (or 3.75 to 1.00 during material acquisition periods, subject to certain limitations). The Credit Agreement also includes a financial covenant requiring the ratio of Consolidated EBIT (as defined in the Credit Agreement) to Consolidated Total Interest Expense (as defined in the Credit Agreement), in each case, measured for the preceding 12 months, (the "Interest Coverage Ratio") to be not less than 2.75 to 1.00. As of December 31, 2016, the Company was in compliance with all applicable covenants in the Credit Agreement.

2015 Old Waste Connections Credit Agreement

The 2015 Old Waste Connections Credit Agreement provided revolving advances up to an aggregate principal amount of \$1,200,000 at any one time outstanding (the "revolver"), a term loan in an aggregate principal amount of \$800,000 (the "term loan") and letters of credit to be issued at the request of Old Waste Connections in an aggregate amount not to exceed \$250,000. As of December 31, 2015, \$800,000 under the term loan and \$390,000 under the revolver were outstanding under the 2015 Old Waste Connections Credit Agreement, exclusive of outstanding standby letters of credit of \$78,373. As of December 31, 2015 and through the date of termination of the 2015 Old Waste Connections Credit Agreement on June 1, 2016, Old Waste Connections was in compliance with all applicable covenants.

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

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

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

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2016 Master Note Purchase Agreement

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

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

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

The 2016 Senior Notes are subject to representations, warranties, covenants and events of default customary for a private placement of senior unsecured notes. Upon the occurrence of an event of default, payment of the 2016 Senior Notes may be accelerated by the holders of the 2016 Senior Notes. The 2016 Senior Notes may also be prepaid by the Company at any time at par plus a make whole amount determined by the amount of the excess, if any, to the discounted value of the remaining scheduled payments with respect to the called principal of such 2016 Senior Notes minus the amount of such called principal, provided that the make whole shall in no event be less than zero. The discounted value is determined using market-based discount rates. In addition, the Company will be required to offer to prepay the 2016 Senior Notes upon certain changes in control. The 2016 NPA also contemplates certain offers of prepayments for specified tax reasons or certain noteholder sanctions events. The 2016 NPA contains cross-defaults for certain events or conditions that could result in certain of the Company’s material indebtedness becoming due before the scheduled time, which material indebtedness would include the principal amounts currently outstanding under the Credit Agreement and the 2008 NPA. The 2016 NPA requires that the Company comply with the specified quarterly leverage ratio and interest coverage ratio, in each case, as of the last day of each fiscal quarter. The required leverage ratio cannot exceed 3.75 to 1.00. The required interest coverage ratio must not be less than 2.75 to 1.00. As of December 31, 2016, the Company was in compliance with all applicable covenants in the 2016 NPA.

2008 Master Note Purchase Agreement

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

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Amendment) which were effective upon the Company's assumption of the Obligor's obligations under the Assumed 2008 NPA pursuant to the Assumption Agreement.

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

Pursuant to the terms and conditions of the Assumed 2008 NPA, the Company has \$825,000 of outstanding senior unsecured notes (the "2008 Notes") at December 31, 2016 consisting of (i) \$175,000 of 5.25% senior notes due 2019 (the "2019 Notes"), (ii) \$50,000 of 4.00% senior notes due 2018 (the "2018 Notes"), (iii) \$100,000 of 4.64% senior notes due 2021 (the "2021 Notes"), (iv) \$125,000 of 3.09% senior notes due 2022 (the "2022 Notes") and (v) \$375,000 of 3.41% senior notes due 2025 (the "2025 Notes"), in each case, that were sold previously in a private placement.

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

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

The 2008 Notes are subject to representations, warranties, covenants and events of default customary for a private placement of senior unsecured notes. Upon the occurrence of an event of default, payment of the 2008 Notes may be accelerated by the holders of the 2008 Notes. The 2008 Notes may also be prepaid by the Company at any time at par plus a make whole amount determined in respect of the remaining scheduled payments on the 2008 Notes, using a market-based discount rate. In addition, the Company will be required to offer to prepay the 2008 Notes upon certain changes in control; however, no such prepayment offer was accepted in connection with the Progressive Waste acquisition. The Assumed 2008 NPA also contemplates certain offers of prepayments for specified tax reasons or certain noteholder sanctions events. The Assumed 2008 NPA contains cross-defaults for certain events or conditions that could result in certain of the Company's material indebtedness becoming due before the scheduled time, which material indebtedness would include the principal amounts currently outstanding under the Credit Agreement and the 2016 NPA. The Assumed 2008 NPA requires that the Company comply with the specified quarterly leverage ratio and interest coverage ratio, in each case, as of the last day of each fiscal quarter. The required leverage ratio cannot exceed 3.75 to 1.00. The required interest coverage ratio must not be less than 2.75 to 1.00. As of December 31, 2016, the Company was in compliance with all applicable covenants in the Assumed 2008 NPA.

2016 Notes

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

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Tax-Exempt Bonds

As discussed above, the Company assumed \$64,000 of tax-exempt bonds in the Progressive Waste acquisition which consisted of three industrial revenue bonds (“IRB”) including the Pennsylvania Economic Development Corporation IRB (“PA IRB Facility”), Mission Economic Development Corporation IRB (“TX IRB Facility”) and 2009 Seneca County Industrial Development Agency IRB (“2009 Seneca IRB Facility”). The Company’s tax-exempt bond financings are as follows:

Name of Bond	Type of Interest Rate	Interest Rate on Bond at	Maturity Date of Bond	Outstanding Balance at		Backed by Letter of Credit (Amount)
		December 31, 2016		December 31, 2016	December 31, 2015	
West Valley Bond	Variable	0.80%	August 1, 2018	\$ 15,500	\$ 15,500	\$ 15,678
LeMay Washington Bond	Variable	0.77	April 1, 2033	15,930	15,930	16,126
PA IRB Facility	Variable	0.78	November 1, 2028	35,000	-	35,336
TX IRB Facility	Variable	0.78	April 1, 2022	24,000	-	24,230
2009 Seneca IRB Facility	Variable	0.78	December 31, 2039	5,000	-	5,058
				<u>\$ 95,430</u>	<u>\$ 31,430</u>	<u>\$ 96,428</u>

The variable-rate bonds are all remarketed weekly by a remarketing agent to effectively maintain a variable yield. If the remarketing agent is unable to remarket the bonds, then the remarketing agent can put the bonds to the Company. The Company obtained standby letters of credit, issued under its credit agreement, to guarantee repayment of the bonds in this event. The Company classified these borrowings as long-term at December 31, 2016, because the borrowings were supported by standby letters of credit issued under the Company’s Credit Agreement.

As of December 31, 2016, aggregate contractual future principal payments by calendar year on long-term debt are due as follows:

2017	\$ 1,650
2018	67,149
2019	176,789
2020	1,383
2021	2,199,393
Thereafter	1,186,328
	<u>\$ 3,632,692</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The Company’s financial assets and liabilities recorded at fair value on a recurring basis include derivative instruments and restricted assets. The Company’s derivative instruments are pay-fixed, receive-variable interest rate swaps and pay-fixed, receive-variable diesel fuel hedges. The Company’s interest rate swaps are recorded at their estimated fair values based on quotes received from financial institutions that trade these contracts. The Company verifies the reasonableness of these quotes using similar quotes from another financial institution as of each date for which financial statements are prepared. The Company uses a discounted cash flow (“DCF”) model to determine the estimated fair value of the diesel fuel hedges. The assumptions used in preparing the DCF model include: (i) estimates for the forward DOE index curve; and (ii) the discount rate based on risk-free interest rates over the term

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of the hedge contracts. The DOE index curve used in the DCF model was obtained from financial institutions that trade these contracts and ranged from \$2.61 to \$2.78 at December 31, 2016 and from \$2.21 to \$2.64 at December 31, 2015. The weighted average DOE index curve used in the DCF model was \$2.75 and \$2.43 at December 31, 2016 and 2015, respectively. Significant increases (decreases) in the forward DOE index curve would result in a significantly higher (lower) fair value measurement. For the Company's interest rate swaps and fuel hedges, the Company also considers the Company's creditworthiness in its determination of the fair value measurement of these instruments in a net liability position and the counterparties' creditworthiness in its determination of the fair value measurement of these instruments in a net asset position. The Company's restricted assets are valued at quoted market prices in active markets for similar assets, which the Company receives from the financial institutions that hold such investments on its behalf. The Company's restricted assets measured at fair value are invested primarily in U.S. government and agency securities and Canadian bankers' acceptance notes.

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

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

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

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The following table summarizes the changes in the fair value for Level 3 derivatives for the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
	2016	2015
Beginning balance	\$ (9,900)	\$ (1,979)
Realized losses included in earnings	5,832	3,217
Unrealized gains (losses) included in AOCL	3,804	(11,138)
Ending balance	\$ (264)	\$ (9,900)

The following table summarizes the changes in the fair value for Level 3 liabilities related to contingent consideration for the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
	2016	2015
Beginning balance	\$ 49,394	\$ 70,165
Contingent consideration recorded at acquisition date	20,389	815
Payment of contingent consideration recorded at acquisition date	(16,322)	(2,190)
Payment of contingent consideration recorded in earnings	(493)	-
Adjustments to contingent consideration	(2,623)	(22,180)
Interest accretion expense	1,481	2,784
Ending balance	\$ 51,826	\$ 49,394

10. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Leases

The Company leases certain facilities and certain equipment under non-cancelable operating leases for periods ranging from one to 45 years, with renewal options for certain leases. The Company's total rent expense under operating leases during the years ended December 31, 2016, 2015 and 2014, was \$29,295, \$26,858 and \$27,466, respectively.

As of December 31, 2016, future minimum lease payments, by calendar year, are as follows:

2017	\$	26,820
2018		21,528
2019		17,238
2020		14,850
2021		12,280
Thereafter		69,436
	\$	162,152

Financial Surety Bonds

The Company uses financial surety bonds for a variety of corporate guarantees. The two largest uses of financial surety bonds are for municipal contract performance guarantees and asset closure and retirement requirements under certain environmental regulations. Environmental regulations require demonstrated financial assurance to meet final capping, closure and post-closure requirements for

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landfills. In addition to surety bonds, these requirements may also be met through alternative financial assurance instruments, including insurance, letters of credit and restricted asset deposits.

At December 31, 2016 and 2015, the Company had provided customers and various regulatory authorities with surety bonds in the aggregate amount of approximately \$589,270 and \$353,828, respectively, to secure its asset closure and retirement requirements and \$273,465 and \$121,687, respectively, to secure performance under collection contracts and landfill operating agreements.

The Company owns a 9.9% interest in a company that, among other activities, issues financial surety bonds to secure landfill final capping, closure and post-closure obligations for companies operating in the solid waste industry. The Company accounts for this investment under the cost method of accounting. There have been no identified events or changes in circumstances that may have a significant adverse effect on the carrying value of the investment. This investee company and the parent company of the investee have written financial surety bonds for the Company, of which \$546,145 and \$185,753 were outstanding as of December 31, 2016 and 2015, respectively. The Company's reimbursement obligations under these bonds are secured by a pledge of its stock in the investee company.

Unconditional Purchase Obligations

At December 31, 2016, the Company's unconditional purchase obligations consist of multiple fixed-price fuel purchase contracts under which it has 22.3 million gallons remaining to be purchased for a total of \$52,141. These fuel purchase contracts expire on or before December 31, 2018.

As of December 31, 2016, future minimum purchase commitments, by calendar year, are as follows:

2017	\$	42,640
2018		9,501
	\$	<u>52,141</u>

CONTINGENCIES

Environmental Risks

The Company expenses costs incurred to investigate and remediate environmental issues unless they extend the economic useful lives of the related assets. The Company records liabilities when it is probable that an obligation has been incurred and the amounts can be reasonably estimated. The remediation reserves cover anticipated costs, including remediation of environmental damage that waste facilities may have caused to neighboring landowners or residents as a result of contamination of soil, groundwater or surface water, including damage resulting from conditions existing prior to the Company's acquisition of such facilities. The Company's estimates are based primarily on investigations and remediation plans established by independent consultants, regulatory agencies and potentially responsible third parties. The Company does not discount remediation obligations. At December 31, 2016 and 2015, the current portion of remediation reserves was \$2,316 and \$2,328, respectively, which is included in Accrued liabilities in the Consolidated Balance Sheets. At December 31, 2016 and 2015, the long-term portion of remediation reserves was \$19,026 and \$12,049, respectively, which is included in Other long-term liabilities in the Consolidated Balance Sheets. The 2015 long-term remediation reserve amount includes \$11,301 of remediation reserves which the Company established after assuming certain remedial liabilities in the Rock River acquisition during the year ending December 31, 2015. Any substantial increase in the liabilities for remediation of environmental damage incurred by the Company could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Legal Proceedings

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

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licensing of landfills, transfer stations, and E&P waste treatment, recovery and disposal operations, or alleging environmental damage or violations of the permits and licenses pursuant to which the Company operates.

In addition, the Company is a party to various claims and suits pending for alleged damages to persons and property, alleged violations of certain laws and alleged liabilities arising out of matters occurring during the normal operation of the waste management business. Except as noted in the matters described below, as of December 31, 2016, there is no current proceeding or litigation involving the Company or its property that the Company believes could have a material adverse impact on its business, financial condition, results of operations or cash flows.

Lower Duwamish Waterway Superfund Site Allocation Process

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

On April 27, 2016, the LDWG entered into a third amendment of its Administrative Order on Consent with the EPA (the "AOC 3") in which it agreed to perform the additional baseline sediment sampling and certain technical studies needed to prepare the actual remedial design. On November 9, 2016, the EPA and the Washington State Department of Ecology ("Ecology") conducted a public stakeholder meeting regarding the LDW Site. During the public stakeholder meeting, the EPA provided an overview of the AOC 3 pre-remedial design work and the progress of the on-going work on the EAA cleanups. At the meeting, both the EPA and Ecology estimated that the pre-design studies being performed pursuant to the AOC 3 would not be completed until the end of 2019. The next EPA stakeholder meeting is scheduled for June 14, 2017, at which time it is anticipated that more current information on the status of the cleanups will be available.

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

On August 16, 2016, the EPA sent individual letters to each of the PRPs at the LDW Site, including NWCS, stating that it expects to initiate negotiations with all PRPs in early 2018 relating to a Remedial Design/Remedial Action ("RD/RA") Consent Decree. An RD/RA Consent Decree provides for the cleanup of the entire site and is often referred to as a "global settlement." In the letter the EPA explained this schedule, noting that it expected the pre-remedial design work under the AOC 3 to be completed by the beginning of 2018, and also that it understood that several PRPs are participating in a neutral allocation which the EPA is hopeful will be completed by early 2018. The EPA encouraged the PRPs to complete the allocation on a schedule consistent with the EPA's intended negotiation schedule, adding that it expects to initiate the RD/RA negotiations on schedule regardless of the status of the allocation. The Company cannot provide assurance that the EPA's schedule can be met. NWCS is defending itself vigorously in this confidential allocation process. At this point, the Company is not able to determine the likelihood of the allocation process being completed as

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intended by the participating PRPs, its specific allocation, nor the likelihood of the parties then negotiating a global settlement with the EPA. Thus, NWCS cannot reasonably determine the likelihood of any outcome in this matter, including its potential liability.

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

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

Collective Bargaining Agreements

Fourteen of the Company's collective bargaining agreements have expired or are set to expire in 2017. The Company does not expect any significant disruption in its overall business in 2017 as a result of labor negotiations, employee strikes or organizational efforts.

11. SHAREHOLDERS' EQUITY

Cash Dividend

Old Waste Connections authorized the initiation of a quarterly cash dividend in October 2010 and has increased it on an annual basis. In October 2016, New Waste Connections announced that its Board of Directors increased its regular quarterly cash dividend by \$0.035, from \$0.145 to \$0.18 per share. Cash dividends of \$92,547, \$65,990 and \$58,906 were paid during the years ended December 31, 2016, 2015 and 2014, respectively.

Normal Course Issuer Bid

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

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

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 year ended December 31, 2016, the Company did not repurchase any common shares pursuant to the NCIB or other share repurchase programs. For the years ended December 31, 2015 and 2014, Old Waste Connections repurchased 1,962,989 and 167,100 shares of common stock at an aggregate cost of \$91,165 and \$7,317, respectively.

Common Shares

Shares of Old Waste Connections common stock were converted into common shares of New Waste Connections, which do not have a stated par value; therefore, the portion of additional paid-in capital representing the amount of common shares issued above par for Old Waste Connections has been reclassified into common shares of New Waste Connections. The Company is authorized to issue an unlimited number of common shares, and uses reserved but unissued common shares to satisfy its obligations under its equity-based compensation plans. As of December 31, 2016, the Company has reserved the following common shares for issuance:

For outstanding RSUs, PSUs, DSUs and warrants	1,481,645
For future grants under the 2016 Incentive Award Plan	<u>4,972,614</u>
	<u><u>6,454,259</u></u>

Common Shares Held in Trust

Common shares held in trust consist of shares of New Waste Connections held in a trust that were acquired by Progressive Waste prior to June 1, 2016 for the benefit of its U.S. and Canadian employees participating in certain share-based compensation plans. A total of 490,112 common shares were held in the trust on June 1, 2016 when it was acquired by the Company in the Progressive Waste acquisition. Common shares held in trust are classified as treasury shares in the Company's Consolidated Balance Sheets. The Company will sell shares out of the trust as employees exercise restricted share units, which will be settled with cash, under the Progressive Waste share-based compensation plans that were continued by the Company. During the period of June 1, 2016 to December 31, 2016, the Company sold 265,183 common shares held in the trust as a result of employees exercising cash-settled restricted share units.

Special Shares

The Company is authorized to issue an unlimited number of special shares. Holders of special shares are entitled to one vote in matters of the Company for each special share held. The special shares carry no right to receive dividends or to receive the remaining property or assets of the Company upon dissolution or wind-up. At December 31, 2016, no special shares were issued.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. Each series of preferred shares issued shall have rights, privileges, restrictions and conditions as determined by the Board of Directors prior to their issuance. Preferred shareholders are not entitled to vote, but take preference over the common shareholders rights in the remaining property and assets of the Company in the event of dissolution or wind-up. At December 31, 2016, no preferred shares were issued.

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Restricted Share Units, Performance-Based Restricted Share Units, Share Options and Share Purchase Warrants

As a result of the Progressive Waste acquisition, each Old Waste Connections restricted stock unit award, deferred restricted stock unit award and warrant outstanding immediately prior to the Progressive Waste acquisition was automatically converted into a restricted share unit award, deferred restricted share unit award or warrant, as applicable, relating to an equal number of common shares of New Waste Connections, on the same terms and conditions as were applicable immediately prior to the Progressive Waste acquisition under such Old Waste Connections equity award. Such conversion of Old Waste Connections equity awards was approved by the Company's shareholders at its shareholder meeting as part of the shareholders' approval of the Progressive Waste acquisition. At its meeting on June 1, 2016, the Company's Board of Directors approved the assumption by the Company of the Old Waste Connections 2014 Incentive Plan Award (the "2014 Plan"), the Old Waste Connections Third Amended and Restated 2004 Equity Incentive Plan (the "2004 Plan"), and the Old Waste Connections Consultant Incentive Plan (the "Consultant Plan," and, together with the 2014 Plan and the 2004 Plan, the "Assumed Old Waste Connections Plans") for the purposes of administering the Assumed Old Waste Connections Plans and the awards issued thereunder. No additional awards will be made under any of the Assumed Old Waste Connections Plans. Upon the vesting, expiration, exercise in accordance with their terms or other settlement of all of the awards made pursuant to an Assumed Old Waste Connections Plan, such Assumed Old Waste Connections Plan shall automatically terminate.

Participation in the 2004 Plan was limited to employees, officers, directors and consultants. Restricted share units ("RSUs") granted under the 2004 Plan generally vest in installments pursuant to a vesting schedule set forth in each agreement. Old Waste Connections' Board of Directors authorized the granting of awards under the 2004 Plan, and determined the employees and consultants to whom such awards were to be granted, the number of shares subject to each award, and the exercise price, term, vesting schedule and other terms and conditions of each award. RSU awards granted under the plan did not require any cash payment from the participant to whom an award was made. No grants have been made under the 2004 Plan since May 16, 2014 pursuant to the approval by Old Waste Connections' stockholders of the 2014 Plan on such date.

The 2014 Plan also authorized the granting of RSUs, as well as performance awards payable in the form of the Company's common shares or cash, including equity awards and incentive cash bonuses that may have been intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162(m)"). Participation in the 2014 Plan was limited to employees and consultants of the Company and its subsidiaries and non-employee directors. The 2014 Plan is administered by the Company's Board of Directors with respect to awards to non-employee directors and by its Compensation Committee with respect to other participants, each of which may delegate its duties and responsibilities to committees of the Company's directors and/or officers, subject to certain limitations (collectively, the "administrator").

RSUs granted under the 2014 Plan generally vest in installments pursuant to a vesting schedule set forth in each award agreement. RSU awards under the 2014 plan do not require any cash payment from the participant to whom an award was made. The vesting of performance awards, including performance-based restricted share units ("PSUs"), was dependent on one or more performance criteria determined by the administrator on a specific date or dates or over any period or periods determined by the administrator.

On June 1, 2016, the Company's Board of Directors adopted the 2016 Incentive Award Plan (the "2016 Plan"), which was approved by Progressive Waste's shareholders on May 26, 2016. The 2016 Plan is administered by the Company's Compensation Committee and provides that the aggregate number of common shares which may be issued from treasury pursuant to awards made under the 2016 Plan is 5,000,000 common shares. Awards under the 2016 Plan may be made to employees, consultants and non-employee directors and may be made in the form of options, warrants, restricted shares, restricted share units, performance awards (which may be paid in cash, common shares, or a combination thereof), dividend equivalent awards (representing a right of the holder thereof to receive the equivalent value (which may be paid in cash or common shares) of dividends paid on common shares), and share payments (a payment in the form of common shares or an option or other right to purchase common shares as part of a bonus, defined compensation or other arrangement). Directors, but not employees or consultants, are also eligible to receive deferred share units, which represent the right to receive a cash payment or its equivalent in common shares (or a combination of cash and common shares), or which may at the time of grant be expressly limited to settlement only in cash and not in common shares.

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Restricted Share Units

A summary of the Company's RSU activity is presented below:

	Years Ended December 31,		
	2016	2015	2014
Restricted share units granted	304,149	332,782	504,255
Weighted average grant-date fair value of restricted share units granted	\$ 57.57	\$ 45.13	\$ 42.54
Total fair value of restricted share units granted	\$ 17,510	\$ 15,019	\$ 21,449
Restricted share units becoming free of restrictions	431,174	478,686	563,117
Weighted average restriction period (in years)	3.9	3.9	3.9

A summary of activity related to RSUs during the year ended December 31, 2016, is presented below:

	Unvested Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at December 31, 2015	1,007,301	\$ 39.74
Granted	304,149	57.57
Forfeited	(45,642)	48.42
Vested and Issued	(403,812)	37.87
Vested and Deferred	(27,362)	32.92
Outstanding at December 31, 2016	<u>834,634</u>	42.11

Recipients of the Company's RSUs who participate in the Company's Nonqualified Deferred Compensation Plan may have elected in years prior to 2015 to defer some or all of their RSUs as they vest until a specified date or dates they choose. At the end of the deferral periods, the Company issues to recipients who deferred their RSUs common shares of the Company underlying the deferred RSUs. At December 31, 2016, 2015 and 2014, the Company had 243,796, 256,191 and 223,752 vested deferred RSUs outstanding, respectively.

Performance-Based Restricted Share Units

A summary of the Company's PSU activity is presented below:

	Years Ended December 31,		
	2016	2015	2014
PSUs granted	147,644	238,690	54,723
Weighted average grant-date fair value of PSUs granted	\$ 56.75	\$ 44.96	\$ 42.33
Total fair value of PSUs granted	\$ 8,379	\$ 10,732	\$ 2,316
PSUs becoming free of restrictions	122,960	-	-
Weighted average restriction period (in years)	4.0	3.8	2.8

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A summary of activity related to PSUs during the year ended December 31, 2016, is presented below:

	Unvested Shares	Weighted-Average Grant Date Fair Value Per Share
Outstanding at December 31, 2015	293,413	\$ 44.47
Granted	147,644	56.75
Forfeited	(33,335)	43.66
Vested and Issued	(122,960)	44.20
Outstanding at December 31, 2016	<u>284,762</u>	51.11

During the years ended December 31, 2015 and 2014, Old Waste Connections' Compensation Committee granted PSUs to the Company's executive officers and non-executive officers with three-year performance-based metrics that the Company had been required to meet before those awards were earned. However, as a result of the Progressive Waste acquisition, the Company's Board of Directors accelerated the vesting of these PSUs at the target performance level, other than those PSUs held by Messrs. Mittelstaedt and Bouck, which were terminated.

During the year ended December 31, 2016, Old Waste Connections' Compensation Committee granted PSUs to the Company's executive officers and non-executive officers with a one-year performance-based metric that the Company must meet before those awards may be earned, with the awards then subject to time-based vesting for the remaining three years of their four-year vesting period. During the year ended December 31, 2015, Old Waste Connections' Compensation Committee also granted PSUs to the Company's executive officers and non-executive officers with a one-year performance-based metric that the Company was required to meet before those awards were earned, with the awards then subject to time-based vesting for the remaining three years of their four-year vesting period. The Compensation Committee determines the achievement of performance results and corresponding vesting of PSUs for each performance period.

Deferred Share Units

The Company granted 524 deferred share units ("DSUs") under its 2016 Plan that remained outstanding at December 31, 2016.

Share Purchase Warrants

The Company has outstanding share purchase warrants issued under the Consultant Plan, which expired in 2012, as well as outstanding share purchase warrants issued under the 2014 Plan and the 2016 Plan. Warrants to purchase the Company's common shares were issued to certain consultants to the Company. Warrants issued were fully vested and exercisable at the date of grant. Warrants outstanding at December 31, 2016, expire between 2017 and 2021.

A summary of warrant activity during the year ended December 31, 2016, is presented below:

	Warrants	Weighted-Average Exercise Price
Outstanding at December 31, 2015	197,783	\$ 45.85
Granted	10,444	67.00
Forfeited	(55,474)	39.91
Exercised	(34,824)	38.05
Outstanding at December 31, 2016	<u>117,929</u>	52.82

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The following table summarizes information about warrants outstanding as of December 31, 2016 and 2015:

<u>Grant Date</u>	<u>Warrants</u>		<u>Fair Value of Warrants</u>		<u>Outstanding at December 31,</u>	
	<u>Issued</u>	<u>Exercise Price</u>	<u>Issued</u>	<u>2016</u>	<u>2015</u>	
Throughout 2011	9,324	\$27.53 to \$33.14	79	-	6,226	
Throughout 2012	71,978	\$30.52 to \$33.03	628	6,625	49,975	
Throughout 2014	50,403	\$45.62 to \$49.06	276	14,365	50,403	
Throughout 2015	91,179	\$42.45 to \$54.48	1,333	86,495	91,179	
Throughout 2016	10,444	\$63.33 to \$77.33	189	10,444	-	
				<u>117,929</u>	<u>197,783</u>	

Restricted Share Units - Progressive Waste Plans

The Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting of restricted share units (“RSUs”). A summary of activity related to Progressive Waste RSUs during the year ended December 31, 2016, is presented below:

Outstanding at June 1, 2016 (acquisition date)	490,112
Cash settled	<u>(265,183)</u>
Outstanding at December 31, 2016	<u><u>224,929</u></u>

A summary of vesting activity related to Progressive Waste RSUs during the year ended December 31, 2016, is presented below:

Vested at June 1, 2016 (acquisition date)	418,242
Vested due to acceleration	25,972
Vested over remaining service period	14,757
Cash settled	<u>(265,183)</u>
Vested at December 31, 2016	<u><u>193,788</u></u>

During the period from June 1, 2016 to December 31, 2016, 25,972 Progressive Waste RSUs vested as a result of plan provisions requiring accelerated vesting to employees due to a change in control followed by termination of employment. No RSUs under the Progressive Waste share-based compensation plans were granted subsequent to June 1, 2016. During the period from June 1, 2016 to December 31, 2016, 9,621 Progressive Waste RSUs were forfeited and will be redistributed to other remaining active participants.

Performance-Based Restricted Share Units - Progressive Waste Plans

The Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for cash settlement only to employees upon vesting of performance-based restricted share units (“PSUs”) based on achieving target results. A summary of activity related to Progressive Waste PSUs during the year ended December 31, 2016, is presented below:

Outstanding at June 1, 2016 (acquisition date)	206,856
Cash settled, net of notional dividend	<u>(144,862)</u>
Outstanding at December 31, 2016	<u><u>61,994</u></u>

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A summary of vesting activity related to Progressive Waste PSUs during the year ended December 31, 2016, is presented below:

Vested at June 1, 2016 (acquisition date)	38,409
Vested due to acceleration	75,282
Vested over remaining service period	54,989
Cash settled, net of notional dividend	<u>(144,862)</u>
Vested at December 31, 2016	<u><u>23,818</u></u>

During the period from June 1, 2016 to December 31, 2016, 75,282 Progressive Waste PSUs vested as a result of plan provisions requiring accelerated vesting to employees due to a change in control followed by termination of employment. No PSUs under the Progressive Waste share-based compensation plans were granted or forfeited subsequent to June 1, 2016.

Share Based Options – Progressive Waste Plans

The Progressive Waste share-based compensation plans were continued by the Company following the Progressive Waste acquisition and allow for the issuance of shares or cash settlement to employees upon vesting of share based options. A summary of activity related to Progressive Waste share based options during the year ended December 31, 2016, is presented below:

Outstanding at June 1, 2016 (acquisition date)	456,110
Cash settled	<u>(7,432)</u>
Outstanding at December 31, 2016	<u><u>448,678</u></u>

A summary of vesting activity related to Progressive Waste share based options during the year ended December 31, 2016, is presented below:

Vested at June 1, 2016 (acquisition date)	325,045
Vested due to acceleration	63,475
Vested over remaining service period	19,844
Cash settled	<u>(7,432)</u>
Vested at December 31, 2016	<u><u>400,932</u></u>

During the period from June 1, 2016 to December 31, 2016, 63,475 Progressive Waste share based options vested as a result of plan provisions requiring accelerated vesting to employees due to a change in control followed by termination of employment. No share based options under the Progressive Waste share-based compensation plans were granted or forfeited subsequent to June 1, 2016.

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12. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes changes in the fair value of interest rate swaps and fuel hedges that qualify for hedge accounting. The components of other comprehensive income (loss) and related tax effects for the years ended December 31, 2016, 2015 and 2014, are as follows:

	Year Ended December 31, 2016		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 6,654	\$ (1,715)	\$ 4,939
Fuel hedge amounts reclassified into cost of operations	5,832	(2,225)	3,607
Changes in fair value of interest rate swaps	11,431	(2,239)	9,192
Changes in fair value of fuel hedges	3,804	(1,441)	2,363
Foreign currency translation adjustment	(50,931)	-	(50,931)
	<u>\$ (23,210)</u>	<u>\$ (7,620)</u>	<u>\$ (30,830)</u>

	Year Ended December 31, 2015		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 5,093	\$ (1,938)	\$ 3,155
Fuel hedge amounts reclassified into cost of operations	3,217	(1,224)	1,993
Changes in fair value of interest rate swaps	(7,746)	2,926	(4,820)
Changes in fair value of fuel hedges	(11,138)	4,232	(6,906)
	<u>\$ (10,574)</u>	<u>\$ 3,996</u>	<u>\$ (6,578)</u>

	Year Ended December 31, 2014		
	Gross	Tax effect	Net of tax
Interest rate swap amounts reclassified into interest expense	\$ 4,581	\$ (1,757)	\$ 2,824
Fuel hedge amounts reclassified into cost of operations	(823)	316	(507)
Changes in fair value of interest rate swaps	(6,448)	2,478	(3,970)
Changes in fair value of fuel hedges	(3,355)	1,284	(2,071)
	<u>\$ (6,045)</u>	<u>\$ 2,321</u>	<u>\$ (3,724)</u>

A rollforward of the amounts included in AOCL, net of taxes, is as follows:

	Fuel Hedges	Interest Rate Swaps	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance at December 31, 2014	\$ (1,221)	\$ (4,372)	\$ -	\$ (5,593)
Amounts reclassified into earnings	1,993	3,155	-	5,148
Changes in fair value	(6,906)	(4,820)	-	(11,726)
Balance at December 31, 2015	(6,134)	(6,037)	-	(12,171)
Amounts reclassified into earnings	3,607	4,939	-	8,546
Changes in fair value	2,363	9,192	-	11,555
Foreign currency translation adjustment	-	-	(50,931)	(50,931)
Balance at December 31, 2016	<u>\$ (164)</u>	<u>\$ 8,094</u>	<u>\$ (50,931)</u>	<u>\$ (43,001)</u>

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13. INCOME TAXES

The Company's operations are conducted through its various subsidiaries in countries throughout the world. The Company has provided for income taxes based upon the tax laws and rates in the countries in which operations are conducted and income is earned. For the year ended December 31, 2016, Waste Connections, Inc. is the public parent corporation organized under the laws of Ontario, Canada. For the years ended December 31, 2015 and December 31, 2014, Waste Connections US, Inc. (f/k/a Waste Connections, Inc.), a Delaware corporation, was the public parent corporation.

Income (loss) before provision (benefit) for income taxes consists of the following:

	Years Ended December 31,		
	2016	2015	2014
U.S.	\$ 243,955	\$ (126,286)	\$ 385,662
Non – U.S.	117,410	-	-
Income (loss) before income taxes	\$ 361,365	\$ (126,286)	\$ 385,662

The provision (benefit) for income taxes for the years ended December 31, 2016, 2015 and 2014, consists of the following:

	Years Ended December 31,		
	2016	2015	2014
Current:			
U.S. Federal	\$ 46,735	\$ 86,053	\$ 103,332
State	14,692	14,809	17,972
Non – U.S.	10,307	-	-
	71,734	100,862	121,304
Deferred:			
U.S. Federal	47,403	(117,549)	27,646
State	3,536	(14,905)	3,385
Non – U.S.	(8,629)	-	-
	42,310	(132,454)	31,031
Provision (benefit) for income taxes	\$ 114,044	\$ (31,592)	\$ 152,335

We are organized under the laws of Ontario, Canada; however, since the proportion of U.S. revenues, assets, operating income and associated tax provisions is significantly greater than any other single taxing jurisdiction within the worldwide group, the reconciliation of the differences between the Company's income tax provision (benefit) as presented in the accompanying Consolidated Statements of Net Income (Loss) and income tax provision (benefit) computed at the federal statutory rate is presented on the basis of the U.S. federal statutory income tax rate of 35% as opposed to the Canadian statutory rate of approximately 27% to provide a more meaningful insight into those differences and provide greater comparability to prior years. The items shown in the following table are a percentage of pre-tax income (loss):

	Years Ended December 31,		
	2016	2015	2014
U.S. federal statutory rate	35.0%	(35.0%)	35.0%
State taxes, net of federal benefit	3.9	(0.3)	3.8
Deferred income tax liability adjustments	0.6	(3.1)	0.3
Effect of international operations	(10.9)	-	-
Progressive Waste acquisition	2.3	-	-
Goodwill impairment	-	12.3	-
Other	0.7	1.1	0.4
	31.6%	(25.0%)	39.5%

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The comparability of the Company's income tax provision (benefit) for the reported periods has been affected by variations in its income (loss) before income taxes.

During the year ended December 31, 2016, the effects of international operations are primarily due to the Company's non-U.S. income being taxed at rates substantially lower than the U.S. federal statutory rate, as well as a portion of the Company's income from internal financing that is either untaxed or taxed at rates substantially lower than the U.S. federal statutory rate. Additionally, non-deductible expenses incurred in connection with the Progressive Waste acquisition resulted in an increase to tax expense of \$9,048. During the year ended December 31, 2015, the Deferred income tax liability adjustments, due primarily to changes in the geographical apportionment of the Company's state income taxes associated with the impairment of a portion of the goodwill, indefinite-lived intangible assets and property and equipment within its E&P segment, resulted in an increase to tax benefit of \$3,869. Additionally, a portion of the aforementioned goodwill impairment within the Company's E&P segment that was not deductible for tax purposes resulted in a decrease to federal tax benefit of \$15,546. During the year ended December 31, 2014, the Deferred income tax liability adjustments, due primarily to the enactment of New York State's 2014-2015 Budget Act, resulted in an increase to tax expense of \$1,220.

The significant components of deferred income tax assets and liabilities, reduced by valuation allowances as applicable, as of December 31, 2016 and 2015 are presented below. The increases in 2016 are primarily due to the Progressive Waste acquisition.

	<u>2016</u>	<u>2015</u>
Deferred income tax assets:		
Accrued expenses	\$ 68,706	\$ 37,465
Compensation	28,994	16,924
Interest rate and fuel hedges	-	7,475
Contingent liabilities	20,653	17,636
Finance costs	10,374	-
Tax credits and loss carryforwards	43,596	-
Other	10,022	9,648
Gross deferred income tax assets	<u>182,345</u>	<u>89,148</u>
Less: Valuation allowance	<u>(14,567)</u>	<u>-</u>
Net deferred income tax assets	167,778	89,148
Deferred income tax liabilities:		
Goodwill and other intangibles	(383,205)	(158,093)
Property and equipment	(460,878)	(288,953)
Landfill closure/post-closure	(87,006)	(37,185)
Prepaid expenses	(13,244)	(7,683)
Interest rate and fuel hedges	(2,109)	-
Total deferred income tax liabilities	<u>(946,442)</u>	<u>(491,914)</u>
Net deferred income tax liability	<u>\$ (778,664)</u>	<u>\$ (402,766)</u>

We have \$32,157 of U.S. federal tax loss carryforwards as of December 31, 2016. The utilization of these carryforwards as an available offset to future taxable income is subject to limitations under U.S. federal income tax laws. These carryforwards begin to expire in 2028. In addition, we have \$14,269 of Canadian tax loss carryforwards with a 20-year carryforward period as well as various state tax losses with carryforward periods up to 20 years. We have \$14,567 of foreign tax credits in the U.S. which have a full valuation allowance, as sufficient uncertainty exists regarding the future realization of these credits.

The excess tax benefit associated with equity-based compensation of \$5,196, \$2,069 and \$7,518 for the years ended December 31, 2016, 2015 and 2014, respectively, was recorded in additional paid-in capital.

The Company and its subsidiaries are subject to U.S. federal and Canadian income tax, which are our principle operating jurisdictions. The Company has concluded all U.S. federal income tax matters for years through 2012, except for the Progressive Waste U.S. federal income tax jurisdiction, which remains open for years subsequent to 2007. Additionally, the Company has concluded all Canadian income tax matters for years through 2009.

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The Company did not have any unrecognized tax benefits recorded at December 31, 2016, 2015 or 2014. The Company does not anticipate the total amount of unrecognized tax benefits will significantly change by December 31, 2017. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

As of December 31, 2016, the Company had undistributed earnings of approximately \$1,600,000 for which income taxes have not been provided for. The Company intends to continue to reinvest these earnings for the foreseeable future. It is not practical to estimate the additional tax that may become payable upon the eventual repatriation of these earnings to Canada; however, repatriation of these earnings could result in a material increase to the Company's effective tax rate. As a result of the Progressive Waste acquisition, the Company continues to actively analyze cumulative earnings and profits in all jurisdictions.

14. SEGMENT REPORTING

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

The Company manages its operations through five geographic operating segments and its E&P segment, which includes the majority of the Company's E&P waste treatment and disposal operations. The Company's five geographic operating segments and its E&P segment comprise the Company's reportable segments. Each operating segment is responsible for managing several vertically integrated operations, which are comprised of districts. In June 2016, as a result of the Progressive Waste acquisition, described in Note 3, the Company formed two new geographic operating segments, Canada and Southern, and realigned its reporting structure at its existing Central and Eastern segments. The Company's segment realignment consisted of the transfer of certain operations in Texas and Louisiana from its Central segment to its Southern segment and the transfer of certain operations in Tennessee, Mississippi and Alabama from its Eastern segment to its Southern segment. The Progressive Waste acquisition did not impact the Company's Western or E&P segments. The segment information presented herein reflects the realignment of these districts.

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

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, other income (expense) and foreign currency transaction gain (loss). Segment EBITDA is not a measure of operating income, operating performance or liquidity under generally accepted accounting principles 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 14.

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Summarized financial information concerning the Company's reportable segments for the years ended December 31, 2016, 2015 and 2014, is shown in the following tables:

Year Ended December 31, 2016	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)	Depreciation and Amortization	Capital Expenditures	Total Assets ^(e)
Southern	\$ 809,926	\$ (96,545)	\$ 713,381	\$ 163,320	\$ 99,323	\$ 64,624	\$ 2,869,841
Western	1,051,637	(116,318)	935,319	315,708	89,198	86,200	1,516,870
Eastern	751,410	(114,758)	636,652	193,361	91,336	82,434	1,541,854
Canada	466,458	(58,597)	407,861	149,305	68,640	20,424	2,532,046
Central	634,393	(72,852)	561,541	208,930	70,027	71,888	1,302,900
E&P	132,504	(11,395)	121,109	32,479	41,215	10,178	1,068,086
Corporate ^{(a), (d)}	-	-	-	(119,215)	4,173	8,975	361,505
	<u>\$ 3,846,328</u>	<u>\$ (470,465)</u>	<u>\$ 3,375,863</u>	<u>\$ 943,888</u>	<u>\$ 463,912</u>	<u>\$ 344,723</u>	<u>\$ 11,193,102</u>

Year Ended December 31, 2015	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)	Depreciation and Amortization	Capital Expenditures	Total Assets ^(e)
Southern	\$ 168,855	\$ (23,566)	\$ 145,289	\$ 35,718	\$ 19,959	\$ 20,779	\$ 259,046
Western	984,283	(103,890)	880,393	290,937	83,073	82,118	1,498,296
Eastern	451,469	(75,313)	376,156	119,668	52,132	44,299	1,062,761
Central	559,801	(59,590)	500,211	184,006	64,072	57,163	1,070,505
E&P	226,782	(11,544)	215,238	70,132	47,339	31,632	1,115,234
Corporate ^{(a), (d)}	-	-	-	1,933	2,859	2,842	115,956
	<u>\$ 2,391,190</u>	<u>\$ (273,903)</u>	<u>\$ 2,117,287</u>	<u>\$ 702,394</u>	<u>\$ 269,434</u>	<u>\$ 238,833</u>	<u>\$ 5,121,798</u>

Year Ended December 31, 2014	Revenue	Intercompany Revenue ^(b)	Reported Revenue	Segment EBITDA ^(c)	Depreciation and Amortization	Capital Expenditures	Total Assets ^(e)
Southern	\$ 158,480	\$ (22,950)	\$ 135,530	\$ 32,539	\$ 17,487	\$ 32,033	\$ 249,437
Western	920,116	(96,194)	823,922	258,126	79,907	65,227	1,482,474
Eastern	411,106	(68,768)	342,338	104,224	47,269	50,252	740,015
Central	532,415	(56,538)	475,877	175,935	57,902	55,481	1,050,436
E&P	316,401	(14,902)	301,499	147,914	52,805	36,726	1,610,133
Corporate ^{(a), (d)}	-	-	-	(7,434)	2,574	1,558	112,772
	<u>\$ 2,338,518</u>	<u>\$ (259,352)</u>	<u>\$ 2,079,166</u>	<u>\$ 711,304</u>	<u>\$ 257,944</u>	<u>\$ 241,277</u>	<u>\$ 5,245,267</u>

(a) Corporate functions include accounting, legal, tax, treasury, information technology, risk management, human resources, training and other administrative functions. Amounts reflected are net of allocations to the six operating segments. For the year ended December 31, 2016, amounts also include costs associated with the Progressive Waste acquisition.

(b) Intercompany revenues reflect each segment's total intercompany sales, including intercompany sales within a segment and between segments. Transactions within and between segments are generally made on a basis intended to reflect the market value of the service.

(c) For those items included in the determination of segment EBITDA, the accounting policies of the segments are the same as those described in Note 1.

(d) Corporate assets include cash, net deferred tax assets, debt issuance costs, equity investments, and corporate facility leasehold improvements and equipment.

(e) Goodwill is included within total assets for each of the Company's six operating segments.

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The following table shows changes in goodwill during the years ended December 31, 2015 and 2016, by reportable segment:

	<u>Southern</u>	<u>Western</u>	<u>Eastern</u>	<u>Canada</u>	<u>Central</u>	<u>E&P</u>	<u>Total</u>
Balance as of December 31, 2014	\$ -	\$ 372,915	\$ 392,423	\$ -	\$ 460,381	\$ 468,070	\$ 1,693,789
Goodwill transferred ^(a)	92,531	-	(39,705)	-	(52,826)	-	-
Goodwill acquired	3,179	905	106,814	-	8,865	21,059	140,822
Impairment loss	-	-	-	-	-	(411,786)	(411,786)
Balance as of December 31, 2015	95,710	373,820	459,532	-	416,420	77,343	1,422,825
Goodwill acquired	1,378,879	2,717	79,116	1,502,850	51,504	-	3,015,066
Impairment loss related to assets held for sale	(4,566)	-	(5,244)	-	-	-	(9,810)
Goodwill reclassified as assets held for sale	-	-	(244)	-	-	-	(244)
Impact of changes in foreign currency	-	-	-	(37,576)	-	-	(37,576)
Balance as of December 31, 2016	<u>\$ 1,470,023</u>	<u>\$ 376,537</u>	<u>\$ 533,160</u>	<u>\$ 1,465,274</u>	<u>\$ 467,924</u>	<u>\$ 77,343</u>	<u>\$ 4,390,261</u>

(a) In June 2016, as a result of the Progressive Waste acquisition, described in Note 3, the Company realigned its reporting structure and changed its three geographic operating segments (Western, Central and Eastern) to five geographic operating segments (Southern, Western, Eastern, Canada and Central). Additionally, the Company realigned certain of the Company's districts between operating segments. This realignment resulted in the reallocation of goodwill among its segments, which is reflected in the "Goodwill transferred" line item.

Property and equipment, net relating to operations in the United States and Canada are as follows:

	December 31,	
	<u>2016</u>	<u>2015</u>
United States	\$ 4,020,703	\$ 2,738,288
Canada	717,352	-
Total	<u>\$ 4,738,055</u>	<u>\$ 2,738,288</u>

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

	Years ended December 31,		
	2016	2015	2014
Southern segment EBITDA	\$ 163,320	\$ 35,718	\$ 32,539
Western segment EBITDA	315,708	290,937	258,126
Eastern segment EBITDA	193,361	119,668	104,224
Canada segment EBITDA	149,305	-	-
Central segment EBITDA	208,930	184,006	175,935
E&P segment EBITDA	32,479	70,132	147,914
Subtotal reportable segments	1,063,103	700,461	718,738
Unallocated corporate overhead	(119,215)	1,933	(7,434)
Depreciation	(393,600)	(240,357)	(230,944)
Amortization of intangibles	(70,312)	(29,077)	(27,000)
Impairments and other operating items	(27,678)	(494,492)	(4,091)
Interest expense	(92,709)	(64,236)	(64,674)
Other income (expense), net	655	(518)	1,067
Foreign currency transaction gain	1,121	-	-
Income (loss) before income tax provision	<u>\$ 361,365</u>	<u>\$ (126,286)</u>	<u>\$ 385,662</u>

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

	Year Ended December 31, 2016			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 2,359,813	\$ (7,766)	\$ 2,352,047	69.7%
Solid waste disposal and transfer	1,155,410	(443,022)	712,388	21.1
Solid waste recycling	92,456	(6,941)	85,515	2.5
E&P waste treatment, recovery and disposal	132,286	(12,086)	120,200	3.6
Intermodal and other	106,363	(650)	105,713	3.1
Total	<u>\$ 3,846,328</u>	<u>\$ (470,465)</u>	<u>\$ 3,375,863</u>	<u>100.0%</u>

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	Year Ended December 31, 2015			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 1,378,679	\$ (4,623)	\$ 1,374,056	64.9%
Solid waste disposal and transfer	670,369	(255,200)	415,169	19.6
Solid waste recycling	47,292	(924)	46,368	2.2
E&P waste treatment, recovery and disposal	228,529	(13,156)	215,373	10.2
Intermodal and other	66,321	-	66,321	3.1
Total	\$ 2,391,190	\$ (273,903)	\$ 2,117,287	100.0%

	Year Ended December 31, 2014			
	Revenue	Intercompany Revenue	Reported Revenue	% of Reported Revenue
Solid waste collection	\$ 1,289,906	\$ (3,593)	\$ 1,286,313	61.9%
Solid waste disposal and transfer	617,161	(235,851)	381,310	18.3
Solid waste recycling	58,226	(2,118)	56,108	2.7
E&P waste treatment, recovery and disposal	326,934	(16,862)	310,072	14.9
Intermodal and other	46,291	(928)	45,363	2.2
Total	\$ 2,338,518	\$ (259,352)	\$ 2,079,166	100.0%

15. NET INCOME (LOSS) PER SHARE INFORMATION

The following table sets forth the calculation of the numerator and denominator used in the computation of basic and diluted net income (loss) per common share attributable to the Company's shareholders for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
Numerator:			
Net income (loss) attributable to Waste Connections for basic and diluted earnings per share	\$ 246,540	\$ (95,764)	\$ 232,525
Denominator:			
Basic shares outstanding	153,550,008	123,491,931	124,215,346
Dilutive effect of options and warrants	35,119	-	90,334
Dilutive effect of restricted share units	469,204	-	481,741
Diluted shares outstanding	154,054,331	123,491,931	124,787,421

16. EMPLOYEE BENEFIT PLANS

Retirement Savings Plans: Waste Connections and certain of its subsidiaries have voluntary retirement savings plans in Canada (the "RSPs"). RSPs are available to all eligible Canadian employees of Waste Connections and its subsidiaries. For eligible Canadian employees, Waste Connections and its subsidiaries make a contribution to a deferred profit sharing plan of 3% of the employee's eligible compensation, subject to certain limitations imposed by the Canadian Income Tax Act.

Certain of Waste Connections' subsidiaries also have voluntary savings and investment plans in the U.S. (the "401(k) Plans"). The 401(k) Plans are available to all eligible U.S. employees of Waste Connections and its subsidiaries. Waste Connections and its

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subsidiaries make matching contributions under the 401(k) Plans of 50% to 100% of every dollar of a participating employee's pre-tax contributions until the employee's contributions equal from 3% to 6% of the employee's eligible compensation, subject to certain limitations imposed by the U.S. Internal Revenue Code.

Total employer expenses, including employer contributions and employer matching contributions, for the RSPs and 401(k) Plans were \$10,420, \$4,702 and \$4,765, respectively, during the years ended December 31, 2016, 2015 and 2014. These amounts include matching contributions Waste Connections made under the Deferred Compensation Plan, described below.

Multiemployer Pension Plans: The Company also participates in six "multiemployer" pension plans. The Company does not administer these multiemployer plans. In general, these plans are managed by the trustees, with the unions appointing certain trustees, and other contributing employers of the plan appointing certain others. The Company is generally not represented on the board of trustees. The Company makes periodic contributions to these plans pursuant to its collective bargaining agreements. The Company's participation in multiemployer pension plans is summarized as follows:

Plan Name	EIN/Pension Plan Number/ Registration Number	Pension Protection Act Zone Status ^(a)		FIP/RP Status (a),(b)	Company Contributions			Expiration Date of Collective Bargaining Agreement
		2016	2015		2016	2015	2014	
Western Conference of Teamsters Pension Trust	91-6145047 - 001	Green	Green	Not applicable	\$ 3,420	\$ 4,314	\$ 3,852	6/30/16 to 12/31/19
Locals 302 & 612 of the IOUE - Employers Construction Industry Retirement Plan	91-6028571 - 001	Green	Green	Not applicable	252	242	226	9/30/19
International Union of Operating Engineers Pension Trust	85512-1	Green	Not applicable	Not applicable	120	-	-	3/31/2017 to 3/31/2021
Multi-Sector Pension Plan Local 813 Pension Trust Fund	1085653 13-1975659 - 001	Green	Not applicable	Not applicable Implemented	112 86	-	-	3/31/2016 11/30/2019
Midwest Operating Engineers Pension Plan	36 - 6140097 - 001	Yellow	Yellow	Implemented	11	-	-	10/31/2020
					<u>\$ 4,001</u>	<u>\$ 4,556</u>	<u>\$ 4,078</u>	

- (a) The most recent Pension Protection Act zone status available in 2016 and 2015 is for the plans' years ended December 31, 2015 and 2014, respectively.
(b) The "FIP/RP Status" column indicates plans for which a Funding Improvement Plan ("FIP") or a Rehabilitation Plan ("RP") has been implemented.
(c) A multiemployer defined benefit pension plan that has been certified as endangered, seriously endangered or critical may begin to levy a statutory surcharge on contribution rates. Once authorized, the surcharge is at the rate of 5% for the first 12 months and 10% for any periods thereafter, until certain conditions are met. The Company was not required to pay a surcharge to these plans during the years ended December 31, 2016 and 2015.

The status is based on information that the Company received from the pension plans and is certified by the pension plans' actuary. Plans with "green" status are at least 80% funded. The Company's contributions to each individual multiemployer pension plan represent less than 5% of total contributions to such plan. Under current law regarding multiemployer benefit plans, a plan's termination, the Company's voluntary withdrawal, or the withdrawal of all contributing employers from any under-funded multiemployer pension plan would require the Company to make payments to the plan for its proportionate share of the multiemployer plan's unfunded vested liabilities. The Company could have adjustments to its estimates for these matters in the near term that could have a material effect on its consolidated financial condition, results of operations or cash flows.

Deferred Compensation Plan: Effective for compensation paid on and after July 1, 2004, Old Waste Connections established a Deferred Compensation Plan for eligible employees, which was amended and restated effective January 1, 2008, January 1, 2010, September 22, 2011 and December 1, 2014, and as further amended on July 6, 2016 (as amended to date, the "Deferred Compensation Plan"). The Deferred Compensation Plan was assumed by the Company on June 1, 2016. The Deferred Compensation Plan is a non-qualified deferred compensation program under which the eligible participants, including officers and certain employees who meet a minimum salary threshold, may voluntarily elect to defer up to 80% of their base salaries and up to 100% of their bonuses, commissions and restricted share unit grants. Effective as of December 1, 2014, Old Waste Connections' Board of Directors

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determined to discontinue the option to allow eligible participants to defer restricted share unit grants pursuant to the Deferred Compensation Plan. Members of the Company's Board of Directors are eligible to participate in the Deferred Compensation Plan with respect to their director fees. Although the Company periodically contributes the amount of its obligation under the plan to a trust for the benefit of the participants, the amounts of any compensation deferred under the Deferred Compensation Plan constitute an unsecured obligation of the Company to pay the participants in the future and, as such, are subject to the claims of other creditors in the event of insolvency proceedings. Participants may elect certain future distribution dates on which all or a portion of their accounts will be paid to them, including in the case of a change in control of the Company. Their accounts will be distributed to them in cash, except for amounts credited with respect to deferred restricted share unit grants, which will be distributed in the Company's common shares pursuant to the 2014 Plan or the 2004 Plan. In addition to the amount of participants' contributions, the Company will pay participants an amount reflecting a deemed return based on the returns of various mutual funds or measurement funds selected by the participants, except in the case of restricted share units that were deferred, which will be credited to their accounts as Company common shares. The measurement funds are used only to determine the amount of return the Company pays to participants and participant funds are not actually invested in the measurement fund, nor are any Company common shares acquired under the Deferred Compensation Plan. During each of the three years ended December 31, 2016, 2015 and 2014, the Company also made matching contributions to the Deferred Compensation Plan of 50% of every dollar of a participating employee's pre-tax eligible contributions until the employee's contributions equaled 6% of the employee's eligible compensation, less the amount of any match the Company made on behalf of the employee under the Waste Connections 401(k) Plan, and subject to certain deferral limitations imposed by the U.S. Internal Revenue Code on 401(k) plans, except that the Company's matching contributions under the Deferred Compensation Plan were 100% vested when made. The Company's total liability for deferred compensation at December 31, 2016 and 2015 was \$21,051 and \$19,387, respectively, which was recorded in Other long-term liabilities in the Consolidated Balance Sheets.

17. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes the Company's unaudited consolidated quarterly results of operations for 2016:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Revenues	\$ 514,680	\$ 727,639	\$ 1,084,922	\$ 1,048,622
Operating income	90,979	63,495	158,666	139,157
Net income	45,017	27,720	88,881	85,703
Net income attributable to Waste Connections	44,842	27,489	88,617	85,592
Basic income per common share attributable to Waste Connections' common shareholders	0.37	0.20	0.51	0.49
Diluted income per common share attributable to Waste Connections' common shareholders	0.36	0.20	0.50	0.49

As described in Note 3, the financial statements presented herein are the historical financial statements of Old Waste Connections with the inclusion of the results of operations from the acquired Progressive Waste operations commencing on June 1, 2016. During the first quarter of 2016, the Company incurred \$8,521 of direct acquisition costs associated with the Progressive Waste acquisition. During the second quarter of 2016, the Company incurred \$23,037 of direct acquisition costs associated with the Progressive Waste acquisition, \$19,402 of severance-related expenses payable to personnel of Progressive Waste, \$14,322 from the Company paying excise taxes levied on the unvested or vested and undistributed equity-compensation holdings of Old Waste Connections' corporate officers resulting from the Progressive Waste acquisition and \$8,022 of share-based compensation expenses related to awards granted to employees of Progressive Waste prior to June 1, 2016 for which vesting was accelerated due to plan provisions regarding a change in control followed by termination of employment. During the third quarter of 2016, the Company incurred \$4,827 of severance-related expenses payable to personnel of Progressive Waste and \$5,300 of incentive compensation expenses to certain of our executive officers and key employees related to the achievement of defined synergy goals realized by New Waste Connections from the Progressive Waste acquisition. During the fourth quarter of 2016, the Company incurred \$6,498 of incentive compensation expenses

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related to the aforementioned achievement of defined synergy goals realized by New Waste Connections from the Progressive Waste acquisition.

The following table summarizes the Company's unaudited consolidated quarterly results of operations for 2015:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
Revenues	\$ 506,100	\$ 531,312	\$ 547,938	\$ 531,937
Operating income (loss)	101,865	110,024	(375,152)	101,730
Net income (loss)	52,081	57,641	(256,805)	52,388
Net income (loss) attributable to Waste Connections	51,824	57,360	(257,009)	52,061
Basic income (loss) per common share attributable to Waste Connections' common shareholders	0.42	0.46	(2.08)	0.42
Diluted income (loss) per common share attributable to Waste Connections' common shareholders	0.42	0.46	(2.08)	0.42

During the third quarter of 2015, the Company recorded impairment charges of \$411,786 associated with goodwill and \$38,300 associated with indefinite-lived intangible assets in its E&P segment. The Company also recorded impairment charges of \$63,928 related to property and equipment at certain E&P operating locations during the third quarter of 2015. The aforementioned impairment charges were partially offset by \$20,642 of adjustments recorded during the third quarter of 2015 to reduce the fair value of amounts payable under liability-classified contingent consideration arrangements associated with the acquisition of an E&P business in 2014.

18. SUBSEQUENT EVENTS

On January 3, 2017, the Company announced that it acquired Groot Industries, Inc. ("Groot"). Groot is the largest privately-owned solid waste services company in Illinois with total annual revenue of approximately \$200,000. Groot serves approximately 300,000 customers primarily in northern Illinois from a network of six collection operations, six transfer stations and two recycling facilities. The Company has not completed the allocation of the acquisition purchase price for Groot of the identifiable assets acquired and liabilities assumed.

On February 13, 2017, the Company entered into a First Supplement to Master Note Purchase Agreement with certain accredited institutional investors, pursuant to which the Company expects to issue and sell to the investors on April 20, 2017 \$400,000 aggregate principal amount of senior unsecured notes consisting of (i) \$150,000 of 3.24% series 2017A senior notes, tranche A due April 20, 2024 (the "2024 Notes") and (ii) \$250,000 of 3.49% series 2017A senior notes, tranche B due April 20, 2027 (the "2027 Notes") (collectively, the "2017A Senior Notes") in a private placement. The 2017A Senior Notes bear interest at fixed rates with interest payable in arrears semi-annually on the first day of October and April beginning on October 1, 2017, and on the respective maturity dates, until the principal thereunder becomes due and payable.

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

The Company may issue additional series of senior unsecured notes pursuant to the terms and conditions of the 2016 NPA, provided that the purchasers of the outstanding notes, including the 2016 Senior Notes and 2017A Senior Notes, shall not have any

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obligation to purchase any additional notes issued pursuant to the 2016 NPA and the aggregate principal amount of the outstanding notes and any additional notes issued pursuant to the 2016 NPA shall not exceed \$1,500,000. Upon the funding of the 2017A Senior Notes, the Company will have \$1,150,000 of Notes outstanding under the 2016 NPA.

The Company intends to use the proceeds from the sale of the 2017A Senior Notes for general corporate purposes, including funding a portion of the purchase price for the acquisition of Groot described above.

On February 21, 2017, the Company announced that its Board of Directors approved a regular quarterly cash dividend of \$0.18 per Company common share. The dividend will be paid on March 21, 2017, to shareholders of record on the close of business on March 7, 2017.